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ABSTRACT

Although this report indentifies steps essential to developing a comprehensive state policy for children, it does not prescribe a particular policy or set of policies. From that viewpoint, the goals of the study are limited. The goals are (a) to assess child development policy in Texas from two perspectives, programmatic and systematic, and (b) to present options available for correcting administrative and legislative deficienceis that currently stand in the way of providing services to the children of Texas. The four chapters of this report discuss in detail the measures that must be taken to develop a comprehensive child development program. Chapter I assesses the service potential of the 10 most important child development programs in Texas. Chapter II examines existing or potential links among the major child development programs. Chapter III identifies selected policy issues that affect child development and the proposed child development system or its components. Chapter IV reviews specific capabilities that the state must develop to combine the isolated federal programs into a comprehensive policy. (Author/CS)

LYNDON B. JOHNSON SCHOOL OF PUBLIC AFFAIRS

POLICY RESEARCH PROJECT REPORT

THE UNIVERSITY OF TEXAS AT AUSTIN

LYNDON B. JOHNSON SCHOOL OF PUBLIC AFFAIRS

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Number 2

CHILD DEVELOPMENT POLICY FOR TEXAS

A Report by
The Child Development Policy Research Project
Lyndon B. Johnson School of Public Affairs
The University of Texas at Austin
1973

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FOREWORD

The Lyndon B. Johnson School of Public Affairs has established interdisciplinary research on policy problems as the core of its educational program. A major part of this program is the Policy Research Project in the course of which three faculty members, each from a different profession or discipline, and about fifteen graduate students with diverse backgrounds, research a policy issue of concern to an agency of government. This "client orientation" brings the students face to face with administrators, legislators, and other actors in the policy process, and demonstrates that research in a policy environment is different from standard academic research. It also illuminates the difficulties of using research findings to bring about the change where political realities must be taken into account.

This report on child-development policies and programs is the product of one of the School's Policy Research Projects. In the course of the year's research, the students and faculty interacted continuously with representatives of state and federal agencies in the field of child developme. t. The report contains a wealth of data, analysis, and interpretation designed to inform those with responsibility for child-development policy and implementation.

Although the School's function is not that of a policy advocate, its intention is both to develop men and women with the capacity to perform effectively in the public service and to produce research that will enlighten and inform those already engaged in the policy process. The project which resulted in this report has helped to accomplish the former; it is our hope and expectation that the report itself will contribute to the latter.

John A. Gronouski
Dean

PREFACE

This report was prepared by the Policy Research Project on Child Development at the Lyndon B. Johnson School of Public Affairs of The University of Texas at Austin during the academic year 1971-72.

The project team consisted of sixteen graduate students and three faculty members. Preliminary work was undertaken during the summer of 1971 by one of the student members working in Washington, D.C. He prepared a number of background documents for the Advisory Committee on Child Development Policy newly established by the National Academy of Sciences-National Research Council in response to an invitation from the Department of Health, Education and Welfare. Throughout the year the Policy Research Project maintained close contact with members of the Advisory Committee. When the work became focused on the specific needs of the State of Texas, two preliminary studies were made of the delivery structures for child development in Austin and San Antonio. Subsequently, work was geared specifically to issues of interest to the recently established Texas Office of Early Childhood Development in the Department of Community Affairs, and the State Legislative Budget Board. Preliminary results of the research were presented at a conference in May 1972 held on the Austin campus of The University of Texas and attended by national, regional, state, and local representatives.

Throughout the year the research team was fortunate to receive assistance from many persons in private and public agencies who were interviewed individually—often more than once—or who gave of their time to speak to us. We are grateful to all of them. We also acknowledge partial financial support from the Ford Foundation for the conduct of the Policy Research Project.

Jurgen Schmandt
Project Director

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SUMMARY OF THE REPORT

OPPORTUNITIES FOR STATE ACTION

Child-development policy, like most social policy, is made in Washington. This is true for legislative authorization, administrative rules, and funding of major programs. On the basis of its study and analysis, however, the Child Development Policy Research Project has concluded that the state's response to federal policy allows for more initiative and innovation than is generally assumed.

Specifically, this Report proposes that:

- *the state can build around existing federal programs a statewide system of services addressed to the diverse needs of Texas children;*
- *the state can increase the number and quality of services offered without waiting for new national legislation; and*
- *the state can overcome the present separation of services by developing comprehensive programs.*

THE STEPS TO BE TAKEN

The four chapters of this Report discuss in detail the measures that must be taken to develop the comprehensive child-development program proposed above.

Chapter I

Chapter I assesses the service potential of the 10 most important federal child-development programs in Texas. Each is isolated and analyzed apart from its relationship to the entire system. The analysis includes an examination of program intent, eligibility criteria, grant determination and expenditure trends, matching funds, and funding mechanisms; and where feasible, recommendations are made concerning program administration and resource utilization.

Chapter II

Chapter II examines existing or potential links among the major child-development programs. The aggregation of programs is viewed as a system—or better as a *protosystem*—which allows for greater efficiency and comprehensiveness in meeting needs. The basic interrelationships within the protosystem are not unique to Texas: in identifying it, the Report reveals an option open to any state to implement and improve a multifaceted federal policy.

Chapter III

Chapter III identifies selected policy issues that affect child development and the proposed child-development system or its components. New rules of the Internal Revenue Service concerning child care and possible legislative changes at the federal level are discussed that could severely alter present structures for the delivery of services. It is emphasized that the state must continuously monitor and prepare for federal actions and plans in child-development.

Chapter IV

Chapter IV reviews specific capabilities that the state must develop to combine the isolated federal programs into a comprehensive policy. Available alternative strategies are discussed, including the powers of program coordination, oversight, and planning as vested in the Governor under federal guidelines for program implementation. More active and consistent use of these powers is needed. In addition, recommendations are made to develop the program planning and evaluation capabilities of the central policy mechanism that already exists in the form of the Office of Early Childhood Development.

GOALS OF THE REPORT

Although this Report identifies steps essential to developing a comprehensive state policy for children, it does not prescribe a particular policy or set of policies. From that viewpoint, the goals of the study are limited. They are: (a) to assess child-development policy in Texas from two perspectives, programmatic and systematic; and (b) to present options available for correcting administrative and legislative deficiencies that currently stand in the way of providing services to the children of Texas.

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INTRODUCTION

In a recent address to the American Public Welfare Association, Alfred Kahn urged that even within the constraints of existing federal legislation we must begin to design a system of public welfare that actively develops appropriate relationships within the whole system of human resources.[1] Kahn further remarked, "This is a period of planning and experimentation. It is urgent that federal funding and administrative authorities encourage such experimentation, and that states and localities grasp at the opportunity."[2] Kahn's exhortation for designing new social service systems and his plea for innovative planning and experimentation are of paramount concern for Texas in its future efforts to deliver adequate social services to its children. In child care, Texas is presently at the crossroads It can ignore many of the needs of its 1½ million citizens under the age of six, or it can "grasp at the opportunity."

The direction and proper amount of federal involvement in child care has been and will undoubtedly remain a volatile political issue. In 1969, President Nixon had advocated programs embracing the complete welfare of children when he said:

> I am also requesting authority, as part of the new system, to provide child care for the 450,000 children of the 150,000 current welfare recipients to be trained The child care I propose is more than custodial. This administration is committed to a new emphasis on child development in the first five years of life. The day care that would be part of this plan would be of a quality that will help in the development of the child and provide for his health and safety, and would break the poverty cycle for this new generation.[3]

But the President dramatically reversed his position less than two years later, when he stated in his veto of the Economic Opportunity Act Extension and its proposed child-development program:

> . . .neither the immediate *need* nor the desirability of a national child-development program of this character has been demonstrated. . . .For the federal government to plunge headlong financially into supporting child development would commit the vast moral authority of the national government to the side of communal approaches to child rearing over and against the family-centered approach. . . .This President, this Government, is unwilling to take that step.[4]

These mutually contradictory positions expose child welfare as a politically sensitive issue; hence the administrative vacillation and resistance to formulating child-care policy. Nevertheless, there is a real need for child care in this country and in this state.

The former director of the Women's Bureau, Dr. Mary Keyserling, asserted, "It is time we awakened to the child-care crisis in its manifold dimensions. We need a vast expansion of services. We need services of high quality. We cannot afford to delay."[5] The extent of this need is substantiated by her research findings compiled over the past two years.[6] For example, over 10 percent of all children in the United States reside in female-headed households, and six million children, or one-third of all children under the age of six, have mothers in the labor force. Yet there are only about 700,000 licensed child spaces; and only 6 percent of federal day-care expenditures are spent on centers, with most of the expenditures going for care at home, care not supplemented with additional services. The need is hardly debatable, the actions necessary to relieve that need, however, are controversial.

CONDITIONS IN TEXAS

The plight of poor people in Texas and that of their children is distressing.[7] According to a recent study by the State Office of Economic Opportunity, Texas has more poverty than any other state, and children comprise the largest fraction of all poor Texans. Over one-third of the 2.5 million poor Texans are children under 15 years old. Poverty among adults in Texas is highly correlated with ethnic origin. It is not, in most cases, the result of unemployment, but of a combination of several factors: *under*-employment, inadequate skills, low wages, limited job opportunities, age, and racial or ethnic characteristics. Even though the largest number of poor people in Texas are Anglo, 44 percent of all blacks and more than 45 percent of all Mexican-Americans are poor. Minority groups make proportional contributions to poverty which are higher in Texas than in other states.

Poverty among children in Texas is a result of widespread poverty of adults and their families. Families with six or more members constitute over 42 percent of the poor population in Texas. Nearly one-fourth of all children under 15 years old are poor. Among all poor children, 77 percent are either black or Mexican-American. There is no doubt that poverty in childhood is a substantial barrier to healthy growth and development. Poverty means crowded and over-crowded living conditions, hunger and malnutrition, improper medical care (both pre- and postnatal), deficient intellectual and social stimulation, unguided learning experiences, and inadequate and ineffective delivery of social services by the federal government, the state, and the community. The poor children of Texas live in an environment that deprives them of minimal services demanded by society for its nonpoor children.

GOALS OF NATIONAL POLICY

At the national level, the goals of child-care and child-development programs are threefold (1) the general welfare of the population, (2) the self-sufficiency and independence of families, and (3) an investment in the next generation of adults. The first goal is predicated on the notion that the well-being of individuals and society can be improved by the provision of cash, goods, and services to families and individuals in need. Children have received medical assistance for a number of years through Title V of the Social Security Act, which authorizes maternal and child health and crippled children's services. In more recent years, Title XIX of the Social Security Act (Medicaid) has been instituted, and the range of available services has greatly expanded. Protective services have also been authorized by the federal government for abandoned, neglected, or delinquent children. In addition, there are federal authorizations for food and nutrition, neighborhood and housing improvement, research, and a variety of other activities. The most substantial authorization for the general welfare of children, however, is Title IV-A of the Social Security Act. Originally designed to supplement the income of families with children in which a parent was dead, incapacitated, or absent, first as the Aid to Dependent Children (ADC) program and later as the Aid to Families with Dependent Children (AFDC) program, Title IV-A offers the most hope for expanding services to children. 1961 and 1967 amendments to the Social Security Act authorized services to all past, present, and potential welfare recipients, irrespective of parental employment status (if a state so desired). Services could be broad and comprehensive, and until recently federal funds were made available under an open-ended monetary authorization. As part of the Revenue Sharing Act of 1972 a national ceiling of $2.5 billion for social services expenditures was introduced. Although this provision limits the potential for expansion of social services, child-care funds may be less severely affected than those for most other social services which, under the new legislation, have to be reserved primarily for recipients of financial assistance. Child care, as in the past, can also be offered to past and potential recipients.

The second goal is to enhance the self-sufficiency and independence of families. To achieve this goal, parents must be trained and employed, and auxiliary services must be supplied. These services are primarily concerned with the rehabilitation, training, and employment of adult wage earners. Day care is offered as an extra service to facilitate parental employment. The federal government had previously offered day care in the Depression, under the WPA (Works Progress Administration) which created jobs for unemployed teachers.[8] Because of the unprecedented number of women in the labor force during World War II, the Lanham Act was passed in 1943 authorizing up to one-half federal funding either for day-care facilities or for extended school services to children of mothers in war areas.[9] Following the 1946 cessation of Lanham Act funds, the entire federally supported day-care program disappeared. It did not reappear until the mid-1960's when the Community Work and Training (CW&T) program and day-care provisions under child welfare were authorized. Substantial funds did not begin to flow, however, until after 1967 Social Security Act amendments, which instituted the Work Incentive (WIN) program and liberalized the provisions of Title IV-A. The Nixon administration's intent is to expand this second goal, as will be described in detail in Chapter III. A major limitation of the various federal attempts to enhance the self-sufficiency and independence of poor families by training parents is that their children have not received good day-care services.

The third federal goal is investment in the next generation of adults. Insofar as it is directed specifically to children, this objective is recent. It was initiated by authorization of the only child-centered program of substantial proportions, Head Start. Whereas the original Economic Opportunity Act of 1964 was not specifically addressed to the educational problems of children, and the Community Action Program (CAP) made no initial provision to aid children,[10] the Head Start program, under CAP, began in 1964 to support poor children with nutritional, medical, educational, social, and psychological aids. Though somewhat uneven in its delivery, Head Start remains today the principal comprehensive child-development program offered by the federal government. In addition, there are several good programs financed under Title IV-A of the Social Security Act for children residing in Model Cities and other communities.

FEDERAL COMMITMENT

Each of the above three federal goals is reflected in an array of programs. Budgetary priorities are difficult to superimpose on these objectives, however, principally because Title IV-A is so broadly stated and because its objectives and potential services are dependent upon what states and communities wish to make of them—and what the federal government will allow in matching state funds. Just as there are contradictions and vacillations in federal policy, so there are arguments over how to implement current federal policy at state and lower levels of government. It is in this confusing diversity of purpose and procedures that the administration of major federal programs has to be judged.

Because of divergent goals and fragmentation of efforts and resources, the current child-care situation in the Nation and in Texas is ineffective and inefficient. As HEW Secretary Elliot Richardson stated before the Senate Committee on Finance in September of 1971:

> The increasingly widespread public demand for more child-care facilities of all kinds in recent years has resulted in sharply increased federal financial participation. At the present time, the Social Security Act, the Economic Opportunity Act, the Elementary and Secondary Education Act, and the Manpower Development and Training Act all contain child-care or related provisions. Our intentions have been good, and we have made some progress. But the scattered array of child-care authorities and programs has often led to confusion, duplication, and waste.[11]

Richardson's concern regarding duplication and confusion is well founded. A survey undertaken by a member of our group for the National Academy of Sciences' Advisory Committee on Child Development identified no less than 184 federal programs "which in part or in whole provide for child care and/or child development."[12] A review of these programs suggests that policy on child care and child development has been formulated casually by gradual accretion over the years. Further, it suggests that there is no rational, programmatically consistent set of goals for a unified policy. Indeed, stated objectives are often inconsistent with one another, even though covered by the same legislative authorizations and administering agencies and grouped together under cautious, umbrella-like federal efforts at coordination.

OPPORTUNITIES FOR STATE POLICY

In terms of governmental initiative, the decade of the sixties marked a sharp increase in the practice of "direct federalism" and, consequently, a corresponding decrease in state administration of federal grants. This has been especially true regarding child care. As Jule Sugarman testified before the Subcommittee on Children and Youth in May of 1971, "Actually, from the early days states have not been significantly involved in the child-development field, and most of what the federal government did, at least until recently, grew out of a direct federal–local relationship particularly through the Head Start program."[13] The seventies, however, give every indication that the pendulum is swinging back to the more traditional practice of "cooperative federalism." The Nixon administration's deemphasis of existing programs that bypass the state, the veto of the Brademas-Mondale Bill, and the attempt at Welfare Reform through H.R. 1, represent recent efforts to allow the states to regain a degree of administrative and financial control over federal programs. The trend toward centralized control at the state level carries with it the responsibility of states to optimize their bargaining power within the competitive market of available federal programs. For the majority of states, the maze of federal authorizations is further complicated by the structural labyrinth of state agencies that administer the programs. In this regard, Texas is no exception. As states become the primary executors of federal programs for child development, Texas must achieve the level of expertise and organization commensurate with the efforts it has already put forward to meet the needs of its children.

The report should add a building block to the foundation that Texas has begun to establish in recent years. The progressive steps this state has already undertaken reflect a real concern for child development. Examples are the establishment of the Governor's Task Force on Early Childhood Development in 1969, the creation of the Office of Early Childhood Development in 1971, coupled with the 1969 passage of House Bill 240 requiring school districts within the School Foundation Program to provide kindergarten, and the 1971 establishment of the Texas Council on Early Childhood Development. These examples show that Texas is willing to come to the aid of its youngest children.

Texas' achievements in child welfare are commendable, but they are only preliminary developments. The first major step in building an adequate statewide information base has already been accomplished by the Office of Early Childhood Development. Their recent publication, *Special Report. Early Childhood Development in Texas* attempts to provide a comprehensive report of existing resources, programs, and activities for children throughout the state.

A NOTE ON TIMING

The work reported in this document was undertaken between September 1971 and June 1972. A number of important changes in the nation's welfare system were enacted into law in the fall of 1972. These include the introduction of a financial ceiling for social services, new eligibility limitations, and the federalization of payments to recipients in the three adult categories. The new conditions, generally imposing new restrictions, affect many of our conclusions and findings, though not, we believe, our basic concepts. The text was changed to reflect the new legislation wherever appropriate. However, Chapter III was not updated: the discussion of suggested legislative changes seems still worthwhile in its original form even after some changes have become law while others were rejected, at least for the time being.

CHAPTER I

MAJOR FEDERAL PROGRAMS FOR CHILDREN IN TEXAS ANALYSES AND RECOMMENDATIONS

INTRODUCTION

Ten programs account for almost nine-tenths of all the federal money earmarked for Texas' children. These ten programs feed over $265 million in federal funds into the state. The principal agency administering these funds is the State Department of Public Welfare (SDPW). SDPW handles five of the ten primary programs, and almost two-thirds of all child-care expenditures. Each of the following five SDPW programs is authorized under the Social Security Act of 1935:

Title IV-A	AFDC Payments
Title IV-A	AFDC Social Services
Title IV-B	Child Welfare
Title IV-C	WIN Day Care
Title XIX	Medicaid

Another agency administering child programs is the Texas Education Agency, authorized to handle three programs that fall under the Elementary and Secondary Education Act of 1965:

Title I	Regular
Title I	Migrant
Title VII	Bilingual

The remaining two major federal programs for children in Texas are Head Start, monitored by the Texas Office of Economic Opportunity under the Economic Opportunity t; and Maternal Child Health, administered by the State partment of Health under Title V of the Social Security Act.

TITLE IV-A AFDC PAYMENTS (SDPW)

Scope

The single most costly program for children in Texas is the Aid to Families with Dependent Children (AFDC) program, authorized by Title IV-A of the Social Security Act. Low-income families in which the father is absent, incapacitated, or dead receive a specified direct payment for each child to help defray living expenses. Texas does not extend coverage to low-income families with an unemployed father present in the household, although the 1961 amendments to the act provide that states may exercise that option if they choose.

The eligibility for AFDC payments is determined by welfare workers in each of the 17 regional offices of the State Department of Public Welfare. Eligibility statements are submitted to the state office before coverage under the program is extended. The state office mails monthly payments directly to AFDC recipients across the state.

Payments

The formula for federal contributions to AFDC is complex. For each recipient, the federal government pays 83.33 percent of the first $18 and 61.31 percent from $18 to $32 per monthly payment. If the payment exceeds $32 per month, this part would be paid entirely by the state. However, Texas law prohibits such payments. The federal contribution to the AFDC program (principally for dependent children and their mothers) is computed quarterly on the basis of the average AFDC monthly grant (Table 1).

As of December 1, 1971, 30.5 percent of Texas' AFDC children were under six years old. If this percentage is used for the entire fiscal year 1972, the proportion of the $164 million in AFDC payments to children that will go to AFDC children under six years old (and their mothers) will total approximately $50 million.

Federal and state resources utilized and planned for AFDC payments are listed in Table 2.

Critique

The State of Texas has a constitutionally established ceiling of $80 million per year for state funds used for financial assistance payments in the four welfare categories of Old Age Assistance (OAA), Aid to the Blind (AB), Aid to the Permanently and Totally Disabled (APTD), and Aid to Families with Dependent Children (AFDC). The appropriations by the state legislature are greater than estimated expenditures in the cases of OAA, AB, and APTD; however, appropriations are less than expenditures in the case of AFDC (Table 3).

Although separate appropriations are made by the legislature for each of these four categories, the Department of Public Welfare has authority to transfer funds between programs, as long as the $80 million ceiling is maintained. The $23.1 million authorized for AFDC in 1972 was much less than the estimated need. Consequently, as in previous years, funds were transferred from Old Age Assistance to AFDC. The OAA surplus, plus the welfare department's federal earned funds account supplied the $18,639,705 needed to prevent reduction of payments to AFDC recipients during the state fiscal year 1972.

TABLE 1

*Aid to Families with Dependent Children Payments, State of Texas**

Month	Total number recipients	Number child recipients	Average monthly payment per person
Average month	420,439	330,043	$30.19
1971:			
September	397,855	295,433	$29.86
October	403,996	299,750	29.97
November	412,143	305,391	30.08
December	417,186	309,018	30.20
1972:			
January	424,897	314,470	30.25
February	429,443	317,879	30.31
March	437,980	339,282	30.38
April	440,015	344,806	30.45

*Source State Department of Public Welfare.

TABLE 2

*Aid to Families with Dependent Children Payments, Federal and State Funds, 1970–1972**

	Total	Federal	State
State FY ending Aug. 31, 1970	$ 77,896,862	$ 59,079,352	$18,817,510
State FY ending Aug. 31, 1971	125,039,069	98,426,173	26,612,896
State FY ending Aug. 31, 1972	165,973,878	124,234,173	41,739,705

*Source: State Department of Public Welfare.

TABLE 3

*Welfare Appropriations, Expenditures, and Needs, State of Texas, 1972 and 1973**

	Current 1972 appropriation	Estimated 1972 expenditure	Balance	Estimated 1973 needs
OAA	$50,000,000	$32,811,283	$17,188,717	$32,143,956
AB	1,400,000	943,746	456,254	925,080
APTD	5,500,000	5,129,972	370,028	5,938,344
AFDC	23,100,000	41,739,705	-18,639,705	49,289,244
Total	$80,000,000	$80,624,706	$ -624,706	$88,296,624

*Source: State Department of Public Welfare.

The Department of Public Welfare currently pays 100 percent of the "budgeted need" in OAA, 95 percent in AB and APTD, and 75 percent in AFDC.* SDPW is not legally required to keep the percentage paid to AFDC recipients lower than those paid to recipients in the other programs. However, because of limited resources and the $80 million ceiling, it has chosen to do so, even though it places no maximum on the total welfare payments that any one family may receive.

Recent litigation has complicated the percentage of need paid in each of four welfare programs. A case argued before the United States Supreme Court challenged the fact that proportionally lower stipends are paid to AFDC recipients than to recipients of OAA, AB, and APTD in Texas. It was contended that the proportionally lower payments discriminate against women, blacks, and Mexican-Americans. However, the Supreme Court ruled that a state has the right to determine its own percentage of need payment in each of the welfare categories. The threat of this and similar litigation is the primary reason why each of the four categories are appropriated separately, even though the $80 million ceiling is all that must legally be upheld.

The recently enacted take over by the federal government of assistance payments for the three adult categories, to take effect in January 1974, will make it possible for the state to meet minimum needs of AFDC recipients within the limits of the welfare ceiling. The Legislature will need to give urgent consideration to allocating part of the $80 million welfare appropriation to more adequate payments to AFDC recipients. At the same time AFDC needs will continue to increase due to an increase in AFDC cases.

*The term "budgeted need" denotes minimal subsistence needs as defined by the state.

The current situation regarding Title IV-A AFDC Payments, then, is characterized by a restrictive welfare ceiling in Texas, by grants to families with dependent children that are proportionally lower than payments under other welfare categories, and by welfare programs (such as OAA) that must be auspiciously over-appropriated in order that AFDC families may receive assistance, inadequate though it may be.

Recommendation

The budget appropriation for AFDC recipients should be increased to equal the estimated need.

TITLE IV-A AFDC SOCIAL SERVICES (SDPW)

Scope

Title IV-A of the Social Security Act also authorizes the provision or purchase of day care and other social services for children and families receiving assistance under the Aid to Families with Dependent Children (AFDC) program. In addition, children who were eligible for AFDC payments in the past or who might become eligible during the next five years are considered potential participants in the program. Funds may be used to provide or purchase social services for eligible families and children, provided that free services are not available from other public or private charitable agencies. The services provided may include day care, homemaker services, family planning, and services relating to foster care. These and other services may be purchased, contracted for, or operated directly by the Governor's delegated state welfare agency.

Funds

Under Title IV-A, a matching grant is provided to the delegated agency on the basis of 75 percent federal and 25 percent state support, and there is now a ceiling of $2.5 billion. Until recently, federal funds were limited only by the amounts that the state or localities were willing or able to provide for the match.

AFDC Social Services, like Protective Services, the Work Incentive (WIN) program, and Child-Care Services, are administered by the Social Services Division of SDPW. SDPW has the responsibility under the Texas Welfare plan to provide protection and foster care to all children regardless of economic status. However, due to limited financial resources, most other services are available only to present recipients of AFDC.

Observations

The broad range of services under the 1967 Social Security Act amendments extended to all present, past, and potential welfare recipients is not offered in Texas through state matching of federal funds. Those social services that are offered to *present* recipients by SDPW through state funding are basically consultative and individual—with budgets primarily for salaries of Social Services workers. The State of Texas does not provide any matching funds for social services to *past* or *potential* recipients of AFDC. Local communities must provide the nonfederal match if they desire to have projects funded by Title IV-A AFDC Social Services. Funds raised at the community level may come from various sources, e.g., city budgets (including Model Cities supplemental funds), philanthropic organizations, the United Fund, or community organizations. When the community can contribute the nonfederal match, SDPW contracts with the local sponsoring agency to ensure that a distinction is made between the agency which is the principal donor of local funds and the agency which provides the service.

In addition to providing the nonfederal match for projects, local communities must also produce funds for the state to administer the AFDC Social Services program. Although the federal to state match is 75 percent to 25 percent, communities must actually contribute 30 percent of the project budget to the SDPW. The extra five percent is used primarily by the Contract Services Division of SDPW to cover administrative costs. The five percent charge is collected by SDPW and becomes a part of General Revenues. It is then matched by the department under the social services and administrative costs, for a 60-40 percentage. The funds generated by this match are used to pay the salaries in Contract Services and in a few other divisions with personnel who process and manage contracts, monitor and audit the projects, perform legal duties, provide technical assistance, and consult with existing and potential project personnel and with eligibility determination workers.

Table 4 is a list of AFDC Social Services projects operating in Texas as of March 1, 1972. The projects are organized by function and overlaps are noted.

With an AFDC Social Services budget totalling $14,586,788, the five percent collected by the SDPW for administration amounts to $722,187. This amount, when matched on the 60 to 40 basis mentioned above, totals $1,805,467.50.

Critique

Several conclusions can be drawn about AFDC Social Services in Texas:

1. Texas communities must supply funds for the state match and for state administration of the Social Services program. Yet the SDPW retains control over individual programs through its statutory authority to approve or reject project proposals.

2. By collecting an extra five percent from local communities, SDPW effectively discounts the financial abilities of all communities throughout the state to deliver social services by a full 20 percent (the five percent plus the three-to-one federal match).

3. Six contracts are presently in effect for Title IV-A funds which have state appropriations constituting the full state match. These contracts are with the Texas Rehabilitation Agency, the Department of Community Affairs, and other state programs and notably with state hospitals. The six contracts total $2,373,569. The extra five percent is not collected for the administration of these programs as it is for the programs contracted with localities. Therefore, the communities (since their five percent pays for the administration of all Title IV-A contracts) pay for some of the administration of contracts for projects from which they do not benefit. The local communities must pay for administering contracts between the federal government, the State Department of Public Welfare, and other state agencies.

4. The five percent collected by SDPW and matched on a 60 to 40 basis with the federal government nets a total of $1,805,467.50. However, if that five percent had been added to the original match by local communities and if they were not required to fund the state administration, the 75 to 25 match would net $2,888,748. The difference, $1,083,280.50, represents a significantly greater return from the investment.

5. The cities which offer AFDC Social Services within their boundaries generally are either large or have the benefit of Model Cities supplementary funds. Of the total funds for AFDC Social Services, the amount of $10,194,168 goes to Texas' three largest cities (Houston $6,262,847; Dallas

TABLE 4

*AFDC Social Services Projects in Texas, March 1, 1972**

Service	Number of projects	Total budget	Federal contribution to total
Day care	36	$ 7,176,377	$ 5,023,464
Health & outreach	5	336,944	235,861
Family planning	3	614,863	430,404
Information & referral	3	203,292	142,304
Comprehensive services	2	3,497,156	2,448,009
Planning†	2	152,087	106,461
Core services††	1	766,705	536,694
Homemaker services	1	442,458	309,721
Home & family center	1	381,499	267,049
Day care for retarded children (ages 1 - 17)	1	351,581	246,107
Enforcement of child support	1	339,924	237,947
Services for pregnant teenage girls	1	136,131	95,292
Family education	1	98,855	69,199
Nutrition education	1	88,916	62,241
Total	59	$14,586,788	$10,210,753

†Some contained in other categories.
††Including outreach and follow-up services, transportation, and central record system.

*Source: State Department of Public Welfare.

$2,354,443.50; San Antonio $1,576,877.50). These funds constitute 69.89 percent of the total. Of the total funds, an amount of $10,867,611.50 goes to cities with Model Neighborhood Areas (Houston $6,262,847; San Antonio $1,576,877.50; Austin $1,211,519; Waco $744,672; Texarkana $451,652; Laredo $478,732; Edinburg $142,457; Eagle Pass $98,855). These funds constitute 74.50 percent of the total. It is evident that matching requirements under Title IV-A Social Services are biased against small communities and localities without Model City funds.

6. Most children in the state reside in communities outside both the major population centers and the designated Model Cities. The lack of social services delivered to these localities is due to (a) inability to generate local funds, and (b) inability to provide the proper expertise, manpower, and resolve for initiating and administering local projects. The required 30 percent of project funds is difficult for these communities to raise. In addition, the project proposal form utilized by SDPW and Contract Services is so complex and detailed that it discriminates against local communities that have neither the personnel experienced and capable enough to comply nor the necessary technical assistance from state offices. Even if the funding and proposal form were less complex, most communities of this size would not have personnel qualified to implement social services projects, and the state does not provide extensive training opportunities for such personnel.

7. The proposal form utilized by SDPW and Contract Services, along with application and approval procedures, constitute a definite and conscious method of regulation. The complexities of their present procedures are depicted in Figures 1 and 2. Statutory power is used to justify this procedure, even though the entire operation is financed from local and federal funds. SDPW and Contract Services may permit certain proposals to receive preferential treatment and swift approval while they may impede others. In proposal review, resubmission may be requested because

FIGURE 1

IV-A SOCIAL SERVICES: FUNDING MECHANISM

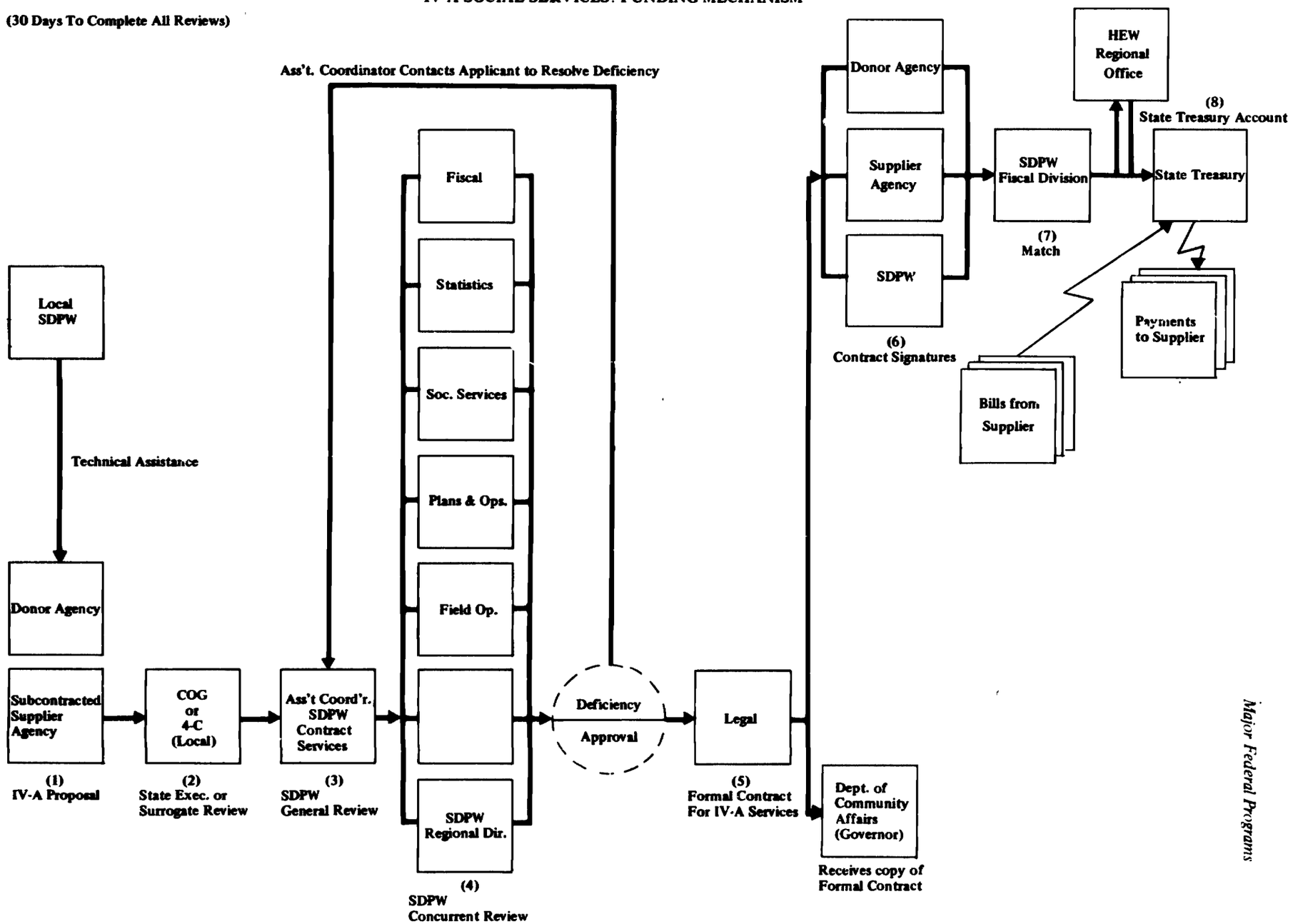
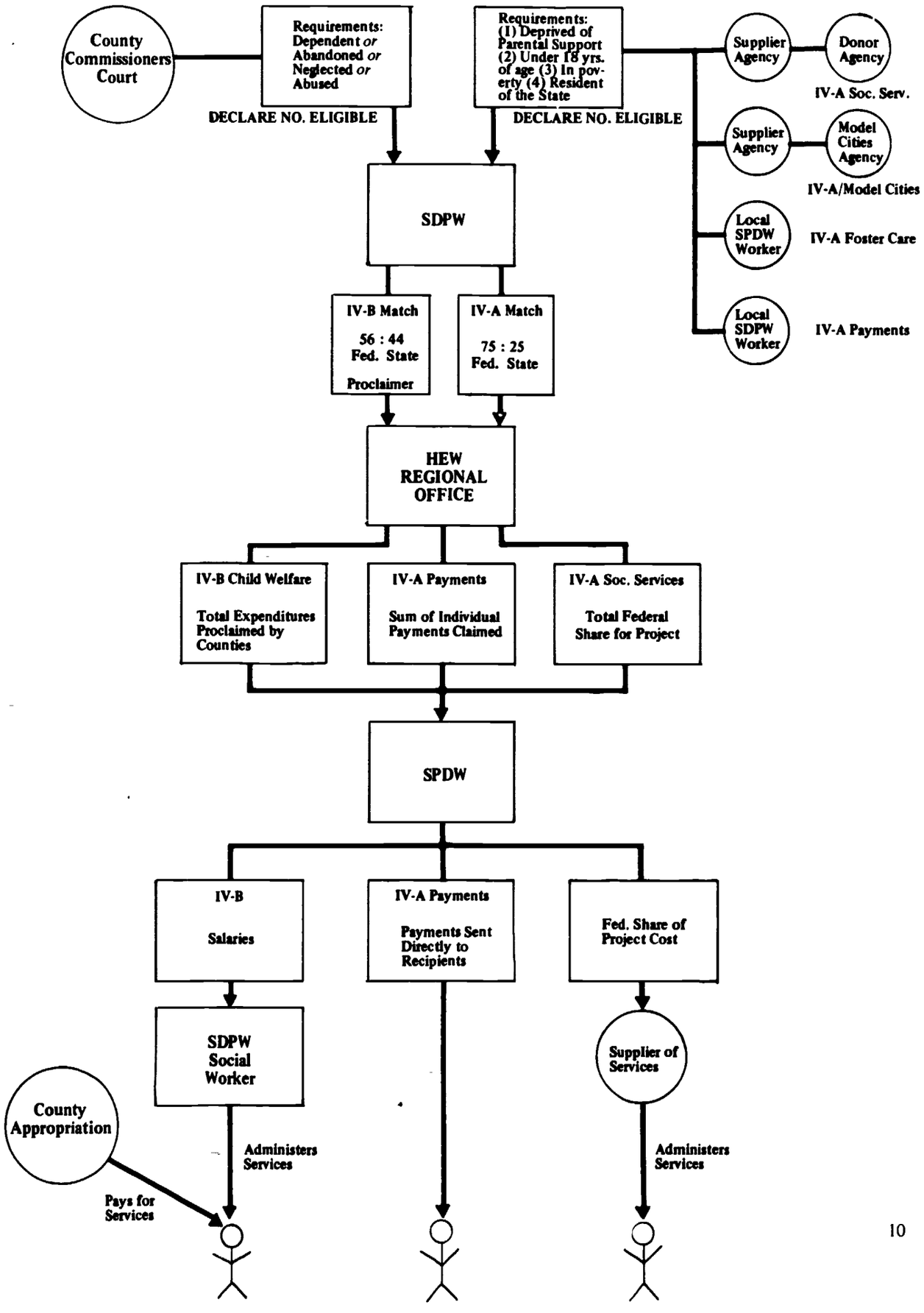


FIGURE 2

TITLES IV-A & IV-B - CHILD WELFARE DELIVERY SYSTEM



certain words must be altered or sentences reconstructed. Approval may be denied or delayed for as long as whim or political motivation may dictate.

8. SDPW functions mainly as a broker of funds that come from the federal government for Social Services under Title IV-A. Insofar as the services rendered by Contract Services and related divisions are financed, not by state funds, but entirely by federal and local funds, it is difficult to assign any controls at the state level. The commissioner form of control for SDPW as a whole removes it from direct control by the governor. It is difficult to determine where primary responsibility in SDPW is situated and what governs SDPW. Further consideration of this ambiguity is given in Chapter IV.

Recommendations

1. The state needs to develop procedures so that Title IV-A services are more generally available throughout the state. *Unless this is done the recent closing in of the appropriation will mean disaster to localities in Texas that have failed to take full advantage of matching potentialities.*

2. *The State of Texas should appropriate matching funds for the delivery of AFDC Social Services, especially for child development.* Existing facilities that the state can renovate and also facilities that were originally constructed with public funds should be used for an in-kind IV-A match.

3. *The State of Texas should not expect local communities to provide funds for administering contracts drawn between SDPW and other state agencies or commissions.*

4. *The state should help rural areas to get funds by placing proposal experts in every SDPW regional and local office.* Assistance should be given every step of the way to communities of all sizes, particularly rural communities, from project advocacy, to raising donor funding, to proposal preparation, to setting up project operations.

5. *State officials should persuade the County Commissioners' courts or other county legislative bodies to raise local money to be matched with Title IV-A funds for contracting social services out of general county tax revenues.* If this were done, the county would be supplying the necessary local share for a federal match. However, a provider agency would still be necessary.

TITLE IV-B CHILD WELFARE (SDPW)

Funds

Under Child Welfare, Title IV-B of the Social Security Act, a total of $46 million was allocated for the entire nation by Congress for 1972. According to the formula used, Texas was allotted a maximum of $2,727,512, to be matched on a basis of 56.01 percent federal to 43.99 percent state funds. (See Figure 3.)

Under the provisions of Title IV-B, each state receives a basic grant of $70,000 and an additional grant which varies directly with size of the population under 21 years old and inversely with average per capita income. Different states have different matching percentages and maximum federal allotments. In addition, the allotment and percentage for each state change yearly. (For example, for 1971 Texas received a maximum federal allotment of $2,803,702 on a matched basis of a 56.96 percent federal to 42.04 percent state funds.)

A complex method has been used in Texas to supply the nonfederal part of the matching funds. Although child welfare activities funded and operated by counties throughout the state are autonomous and are usually overseen by county judges or commissioners, Texas has claimed these expenditures as constituting all or part of its child welfare match under Title IV-B.

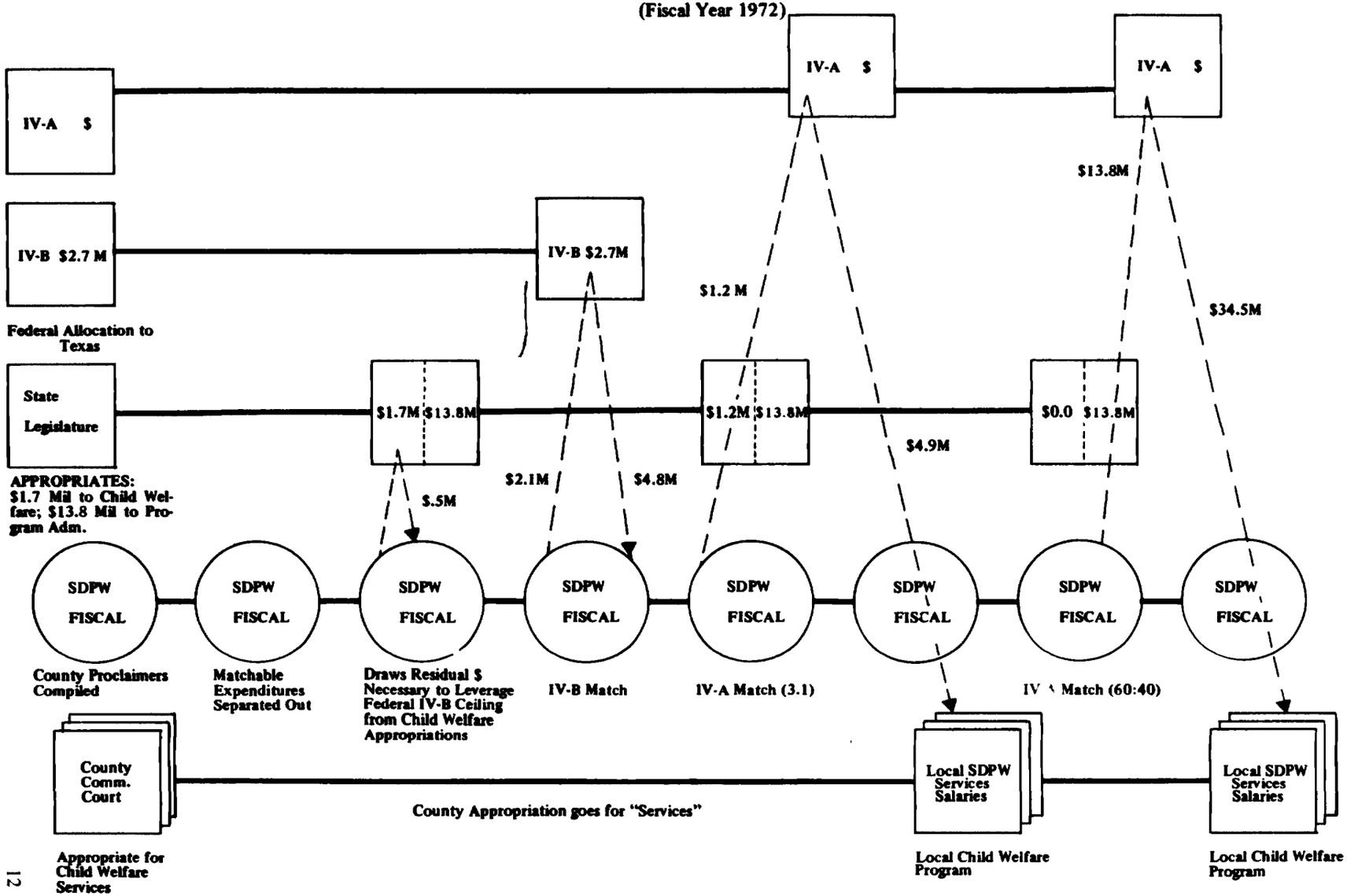
For a number of years, the state has appropriated funds under the rubric of Child Welfare. These funds, however, were designated for salaries of Social Services workers in local offices of SDPW with responsibility for licensing child-caring facilities. The Child Welfare authorization was gradually increased by the state legislature to accommodate the increasing state contribution required to match the federal maximum. When funds expended by the counties on child welfare became insufficient to constitute the full state share, as in 1971, the balance was made up from funds appropriated by the legislature for Child Welfare.

For 1972, the state appropriation totalled $1.7 million for Child Welfare. The process of determining the local value of expenditures to match with the Title IV-B formula is repeated each month. SDPW receives a report from each County Child Welfare Board. The Boards' expenditures are scrutinized for the amount that is matchable under Title IV-B (which excludes AFDC foster care, reimbursable expenditures, and special appropriations). In 1972, the matchable county expenditures totalled approximately $1.6 million for the entire year. Since the state match to reach the federal maximum under Title IV-B was $2,142,176, the difference was made up by using funds from the state's $1.7 million Child Welfare appropriation. Approximately $540,000 of the $1.7 million was used to fully exploit the Title IV-B match.

FIGURE 3

FUNDING MECHANISM: TITLE IV-B (CHILD WELFARE)

(Fiscal Year 1972)



The remainder of the $1.7 million state appropriation (approximately $1.16 million) was matched with federal funds under Title IV-A on a three-to-one basis. The total was then used to pay for the administration of social services to recipients of AFDC—mainly for salaries of Social Services workers. Additional Social Services workers' salaries came from the $13.8 million state appropriation for Public Assistance Program Administration, which was matched with Social Security Act funds on a 60-to-40 basis.

Social Services workers, whether for AFDC Social Services or for Child Welfare, function in one administrative unit at both the state and SDPW regional levels. If 85 percent or more of the children served under the child welfare program are also AFDC recipients or are categorically related (past or potential recipients), then Social Services workers serving them may be funded on the AFDC three-to-one matching formula. This is the rationale for funding most of the Social Services workers who deal with child welfare (out of the balance of the state Child Welfare appropriation and out of Public Assistance Program Administration funds) either under the three-to-one match or as contributing to the qualification for the SDPW sixty-to-forty match for personnel.

Critique

A problem arises with the mandate for the delivery of child-welfare services. Under the state plan, the mandate extends to all children. However, in presently available programs, the mandate extends only tenuously farther than the child who is a present recipient of AFDC or who is categorically related. For the non-AFDC child, one who is the ward of the County Court and not categorically related, resources are limited to the IV-B total of approximately $4,870,000 for administration and the service delivery effort of individual counties. For the AFDC or related child, there is a 75 percent federal match for any service which the state or county chooses to deliver. In addition, there is for 1972 a $1.7 million state appropriation for AFDC Foster Care which totals $6.8 million with the match. For AFDC Foster Care, if counties with Child Welfare Boards, satisfy a "maintenance of effort" clause in their contracts with SDPW, then these counties are reimbursed for their expenditures with state and federal funds. In addition, the Medicaid premium is paid by the state for the child. For counties with no board, payment comes directly to individuals in a vendor payment. For the non-AFDC child however, the situation is entirely different. The county must provide protective services (mainly foster care) out of its own resources. It is assisted (although not administratively) by Title IV-B funds paying for the salaries of Social Services workers in the local offices of the SDPW. However, it is not assisted in its primary function—the delivery of services. Protective services for AFDC and related children are generally available throughout the state. However, except in a few cases of dire emergency, the plight of the non-AFDC child is dependent upon the ability of his county to provide such services.

As noted earlier, clear division is made in Texas between child-welfare services financed by local funds and the AFDC Social Services and child-welfare personnel who are paid from state and federal funds. In local areas, there is no administrative relationship between the activities of the County Welfare Office and the local office of the SDPW. There is, however, a financial relationship between these offices. Until 1968-69, the amount of the Title IV-B matching grant was roughly proportional to the individual counties effort. In other words, a county that spent a relatively large amount of its own funds on child-welfare services was allotted more funds for Social Services workers in its local office of the SDPW. This practice officially ended in 1968-69, but in reality it appears to continue. An illustrative case is the relationship between Bexar and Travis counties. As of August 31, 1970, Bexar County had more than four times the number of AFDC families, children, payments, and total children under seven years old as had Travis County. Yet, since Travis County raises more funds for its county welfare services than Bexar, it receives approximately the same amount of Title IV-B funds ($196,526 for Bexar and $191,050 for Travis).

The State Department of Public Welfare presently uses no formula to apportion its Title IV-B funds on the basis of per capita income or number of children residing within the county. Instead, it relies on three basic indicators: the present case-load total, the history and effectiveness of the county and local SDPW offices, and the present ability of the local office to function (as indicated by the number of staff already there). Therefore, the situation is inequitable, but to reapportion funds would necessarily withdraw funds from one county to increase funds for another.

Child welfare in Texas could be improved by (1) distribution of Title IV-B funds on the basis of case loads and county need only, (2) state assistance to the counties with the least local resources for the delivery of child-welfare services, and (3) full exploitation of existing financial resources, including a concerted effort by SDPW officials to make certain that all matchable county expenditures are claimed for state matching purposes under Title IV-B.

Recommendations

1. *In terms of need, at least, the U.S. Congress should appropriate the full federal authorization for child welfare under Title IV-B.* The federal authorization is $110 million. At no time has HEW ever asked for more than the present allocation of $46 million. Because of

the tremendous need, present allocations are totally unrealistic.

2. *The state AFDC Foster Care appropriation should be increased in order to serve all foster children who are former recipients or who are categorically related and living in institutions or need to be institutionalized.*

3. *County judges and commissioners' courts should negotiate child-welfare contracts between their counties and the SDPW.* This would ensure that a greater number of counties had firm commitments to deliver child-welfare services, and that the SDPW would provide the necessary administrative and service assistance.

TITLE IV-C WIN DAY CARE (SDPW)

Scope

The Work Incentive (WIN) Program, authorized by Title IV-C of the Social Security Act, is intended to give welfare recipients training and job qualifications so that they can become suitably employed.

Under the WIN program, employable welfare recipients apply to the Secretary of Labor for appropriate action. When the training slot is provided, HEW is to provide all necessary social services, including child care. The child care provided must be considered acceptable by the WIN mother,* or participation is no longer required.

Funds

The WIN authorization has a ceiling, and until recently, had a 75 percent to 25 percent federal-to-state matching requirement. The Talmadge amendments to WIN were enacted shortly before the beginning of 1972, and went into effect for federal fiscal year 1973. These amendments revised federal matching to 90 percent, and raised the federal authorization for social services to $750 million. The new federal matching percentage is applicable only during the interval from employment certification to completion of the training, and is to be reduced to the Title IV-A's 75 percent following a short period of employment. The amendments require that all AFDC recipients who are capable of training or employment register with the Secretary of Labor. (See Figure 4.)

The WIN program in Texas has expanded in recent years. The WIN expenditures in the state are listed in Table 5.

TABLE 5

WIN Program–Federal, State, and Local Funds, 1970-71†

February-June 1970	July 1970-June 1971	July 1971-December 1971
$22,518:	$676,084:	$487,286:
$16,852 Federal	$507,063 Federal	$365,465 Federal
$ 5,666 State	$147,347 State	$114,614 State
	$ 21,674 Local	$ 7,207 Local

†Source: State Department of Public Welfare.

Until state FY 1972, a portion of the AFDC appropriations constituted the state's share for the WIN program. For state FY 1972 (beginning September 1, 1971) the state legislature appropriated $1,742,250 for WIN under the title, Training and Job Placement for Adult Recipients of Aid to Families with Dependent Children.

For state FY 1972, the Texas Employment Commission (TEC) provided the training component of WIN, and matched funds on an 80 percent to 20 percent basis with the Department of Labor, as authorized under Title IV-C. To accomplish this, the TEC bills the State Department of Public Welfare for its costs, because the SDPW receives the total WIN appropriation from the state. The total TEC costs amount to a projected $660,000 for the FY 1972, and this amount is deducted on a monthly basis from the original total appropriation of $1,742,250. According to the former social services match under WIN, SDPW is required to contribute 25 percent of costs to the match of HEW. Deducting the projected TEC charges, the social ser-

*There is no program for unemployed AFDC fathers in Texas; therefore, the majority of those taking advantage of WIN services are mothers.

vices funds total $1,082,000. With the federal match, the sum is $4,333,000. This total is broken down by costs.

Child-care allowances	$3,628,000
Physical examinations	$ 33,000
Work-related allowances	$ 672,000
Total	$4,333,000

Payments

A child-care allowance is provided to a WIN mother on the basis of what arrangements are needed for her children's care. The WIN child-care allowance is as follows:

One child: $60 per month if child-care aide comes into home;
$40 per month if aide lives in home.

Two children: $80 per month if aide comes into home;
$60 per month if aide lives in home.

Three or more children: $100 per month if aide comes into home;
$80 per month if aide lives in home.

Part-time care: above figures divided in half.

The resident aide may be a family member or another relative, provided that this person is deemed capable, is not on the AFDC rolls or any other categorical assistance, and is not figured in the family's formula for assistance under AFDC.

Limitations

The WIN program in Texas has no primary day-care resources, except for the provision of child care by a resident. A small amount of vendor care is purchased from commercial child-care centers by Title IV-A projects in Dallas, Houston, and a few other areas (see Table 6). However, all of the planning, monitoring, and control is exercised by the staff of the projects and the appropriate office of the SDPW; WIN staff members are not involved. Resident care as of July, 1971, constituted nearly 97 percent of WIN child-care arrangements. As of February, 1972, there was little change, with resident care constituting over 93 percent of all arrangements.

Future Modifications

In 1972, there were 2,000 WIN training slots at seven local project sites. For state FY 1973, the State Department of Public Welfare plans to expand the WIN program to a total of 3,200 trainees (see Table 7). Budgeting procedures will also be slightly different for this fiscal year, with a uniform child-care expense figured into the cost of each trainee. The cost breakdown will be:

Medical examination	$ 15
Work-related expenses	336
Day-care expenses	1,470
Training cost (10 percent of TEC costs)	2,000
Annual cost per trainee	$3,821

The estimated program cost, according to the SDPW will be:

3,200 trainees X $3,821 cost per trainee =	$12,227,200
WIN state share (10 percent)	$ 1,222,720
WIN federal share (90 percent)	$11,004,480

One of the difficulties for the WIN program in Texas is the unavailability of vendor care that satisfies the federal interagency day-care standards. For this reason, resident care, which is not subject to these standards, has become the general rule for the WIN child-care arrangements. Even though resident care is generally less professional than most vendor care, it is the logical alternative for a state with a scarcity of good child-care centers.

Critique

1. When the state WIN budget was developed in October of 1970, it was not known how many children would need day care or how much this would cost; the SDPW had to guess. With two years of experience, however, planning for WIN child care seems to show little improvement. The state's average cost for child care is $360 per year per child. Almost seven percent of these children are cared for in centers which charge at least $1,200 per child per year. The average for the 93 percent of WIN children who have resident caretakers is that much lower. The figures for February, 1972, illustrate the resulting imbalance:

Children enrolled	Total cost	Average cost per child
2722 under residents' care	$71,837.00	$ 26.39
192 under centers' care	$19,759.23	$102.91
2,914 total children	$91,596.23	$ 31.43

FIGURE 4
IV-C WIN WORKING MOTHER DAY CARE
(Fiscal Year 1972)

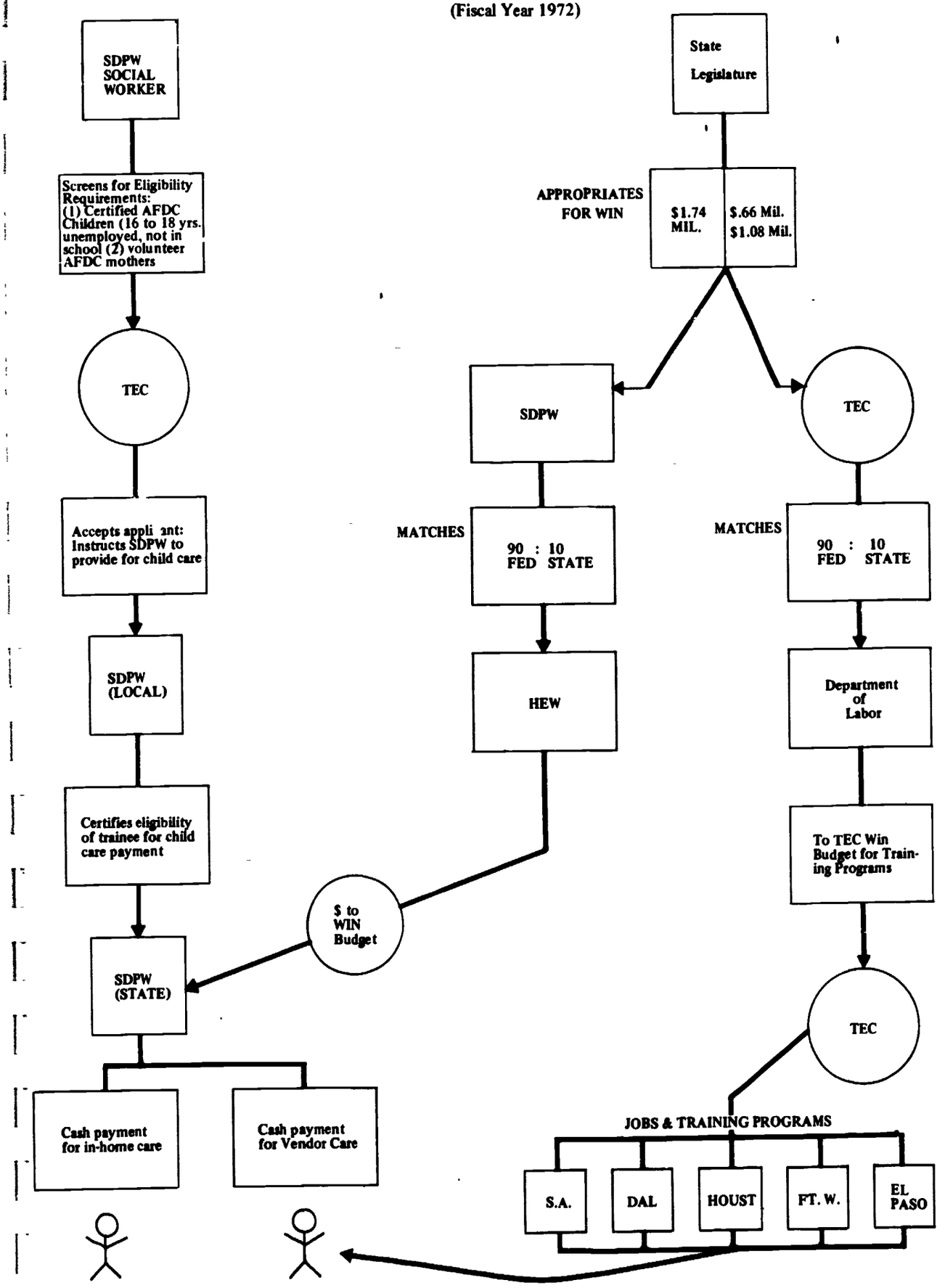


TABLE 6

*Work Incentive Program, State of Texas**
Number of Day-Care Children in Centers and at Home as of June 30, 1971

	San Antonio	Houston	Dallas	Fort Worth	Edinburg	Total
Vendor care:						
Harris County		76				76
Metro Dallas			13			13
Jeanetta			8			8
Subtotal	0	76	21	0	0	97
Resident care	912	1,044	477	333	200	2,966
Total	912	1,120	498	333	200	3,063

*Source: State Department of Public Welfare.

TABLE 7

*Work Incentive Program, State of Texas**
Estimated Training Slots by Counties, FY 1972-73

County	FY 1972	FY 1973
Bexar	400	400
Harris	400	400
Dallas	400	400
Tarrant	200	200
Cameron, Hidalgo, Willacy	200	200
El Paso	200	200
Nueces	200	200
Galveston	-	200
Jefferson		200
Lubbock		200
McLennan		200
Travis		200
Webb		200
Total	2,000	3,200

* Source: State Department of Public Welfare.

An average of $26.39 per month for children cared for at home seems totally madequate, since it can only buy child care of inferior quality.

2. The budget requests made by SDPW for WIN programs in both FY 1972 and FY 1973 are perplexing. For FY 1972, the request was $1,742,250. For social services SDPW received $1,082,000 toward a total of $4,329,000 with the three-to-one federal match. Of that, $3,628,000 should have been used for child-care allowances. By the end of March 1972, with seven of twelve months completed, total child-care expenditures were $520,000. This projects to less than $900,000 for the entire fiscal year. If the child-care expenditures for February 1972 are used for projecting the costs for the fiscal year, the total adds up to less than $1.1 million. The request made for FY 1973, with the new nine-to-one match, is $1,222,720. Because of changed budgeting procedures, each training slot will be allotted $1,470 for day care. For the 3,200 slots, this totals $4,704,000 for day care. The average for FY 1972 over the 2,000 WIN trainees is $450 (using the total of $900,000) or $550 (using the $1.1 million). Just how the SDPW expects to triple expenditures on day care per slot is unanswered in the budget justifications and unanswerable, in terms of the planning that has occurred.

3. The WIN program will probably be unable to spend more than $2,500,000 of its funds with match, for child care. This will mean a return to the State Treasury of between $632,000 and $682,000, or *from 36 to 39 percent of the total WIN budget.* For FY 1973, if child-care provisions are not significantly improved, from $3.5 to over $4.5 million in funds with match will not be spent. This will return to the State Treasury nearly $900,000 or *over 70 percent of the total WIN budget.*

Recommendations

1. The federal government should allow the training of AFDC recipients and related child care efforts, other than WIN efforts exclusively, to qualify states for the 90 to 10 WIN matching ratio. *As long as standards of training and child care remain substantially the same as those maintained under WIN, and the client population is unchanged, the full amount of the federal WIN authorization should be utilized.*

2. *The federal government should apply more liberal licensing requirements for center care purchased as a component of WIN social services.* The Federal Interagency Standards are not accomplishing what they were intended to accomplish, and in fact present standards are causing hardship for children of WIN mothers in Texas. The standards must have less rigidity and more administrative flexibility, lest they continue to be counterproductive.

3. *WIN programs guidelines should provide for the delivery of child care for an extended time period to participants who complete the program and become employed.* Once this period is concluded, there should be the option of state delivery of child care as an AFDC Social Service at 75 percent-25 percent, or *individual* care purchase on a 90 percent-10 percent basis, for an extended period of time.

4. Since the state appropriations used for the WIN program are not specifically for WIN, but under the heading of Training and Job Placement for Adult Recipients of Aid to Families with Dependent Children, the funds may be used for other than WIN exclusively. Therefore, *provisions should be made to use the substantial unused portion of funds for the renovation of facilities or the purchase of facilities to be used eventually for WIN and other similar job training programs.* The funds can appropriately be used to qualify for the Title IV-A Social Services 75 percent-25 percent match. Rather than allow substantial portions of the appropriation to revert to the State Treasury, the SDPW can use these funds matched three-to-one to find solutions to the crucial problem of quality day care for WIN.

MEDICAID TITLE XIX (SDPW)

Scope

The Texas Medical Assistance Program became effective on September 1, 1967, under the provisions of Title XIX of the Social Security Act. The program is administered by the State Department of Public Welfare and provides certain health-care services for the categorically needy within the state. Categorically needy includes all individuals receiving aid or assistance under the state's four categorical grants: Aid to the Permanently Disabled, Aid to the Blind, Old Age Assistance, and Aid to Families with Dependent Children. Also included are a large percentage of children in Foster Care, recipients of the new Vendor Drug Program, patients in the various state institutions, and individuals in the Nursing Home Program.

The approximate number of youth under 22 years old who are benefiting from the Medicaid program for fiscal years 1971, 1972, and 1973 are 225,000, 330,000, and 400,000 respectively.

Under the Medicaid program, the state provides certain health-care services by contracting a group insurance policy

through Texas Blue Cross/Blue Shield. State and federal funds (Title XIX) are used to pay the cost of the health insurance premiums (see Table 5). Thereafter, recipient medical claims are paid for by Blue Cross. The cost of the premium includes the combined cost of administering recipient claims and making payments to the provider of services. Any financial losses incurred are borne by Blue Cross. Whenever premium rates exceed the cost of benefit payments, the excess balance is placed in a Medicaid Reserve Account and is returned to the state. The state can then choose to increase the number of recipients eligible for benefits, apply the excess to future premium payments, or reduce the premium rate for the coming year. For the last three years, the state chose this last option and reduced the cost of individual premiums for AFDC recipients; in 1972, the rate was $16.81 and in 1973 it is expected to be $16.55.

The medical services included in the Blue Cross insurance policy are as follows: inpatient hospital care; outpatient hospital care; physician's services; laboratory and x-ray services; other services (e.g., optometric, podiatrist, ambulance); and certain portions of Medicare deductibles and co-insurance costs. In addition to providing medical services under the Blue Cross insurance policy, SDPW contracts with various vendor agencies to provide nursing-home care for recipient patients; special care for the mentally retarded in state schools; hospital care for recipient patients aged 65 or older, care in state mental and tuberculosis hospitals; and limited chiropractic examinations. Since 1971, a Vendor Drug Program has been added to the list of services provided.

Funds

The total state appropriations for the Texas Medical Assistance Program for fiscal years 1971, 1972, and 1973 are, respectively, $89,964,815, $156,751,142 and $155,812,789.

The total appropriations for AFDC families and children for the fiscal years 1971, 1972, and 1973 are, respectively, $18,608,012, $24,048,487, and $37,546,506.

Critique

It is evident that since 1971, there has been a substantial increase in net appropriations; however, increasing numbers of eligible AFDC recipients and a steady decrease in the federal matching share (from 79.70 percent in 1969 down to 66.66 percent in 1971 down to 65.18 percent in 1972) have limited the potential expansion of the medical program. The number of AFDC children served under Medicaid has almost doubled since 1971, from approximately 225,000 to an estimated 400,000 children in 1973. However, the state budget request for FY 1973 is one million dollars less than the preceding year despite the statewide increase in recipients and medical costs.

As mentioned above, the federal to state match is at present 65 to 35. This formula applies to all benefit expenditures in the program. Due to the fact that administrative costs are figured into the cost per premium and therefore considered to be benefit expenditures, all state money paid out in premiums is matched 65 to 35. However, in the case of other programs such as Vendor Drug and Nursing Home, administrative costs are matched separately from program benefit expenditures. For instance, medical personnel and supporting staff are authorized a 75 to 25 federal to state match. Regular administrative personnel are paid salaries determined according to a 50 to 50 federal to state match.

Recommendations

1. The federal government, requires delivery of extensive and comprehensive services under Medicaid, particularly for AFDC children. *The federal government should not exacerbate the present critical fiscal condition of the state by periodically decreasing its percentage under Title XIX.*

2. *The state should endeavor to meet the federal requirements for full coverage of AFDC recipients under the Medicaid program.*

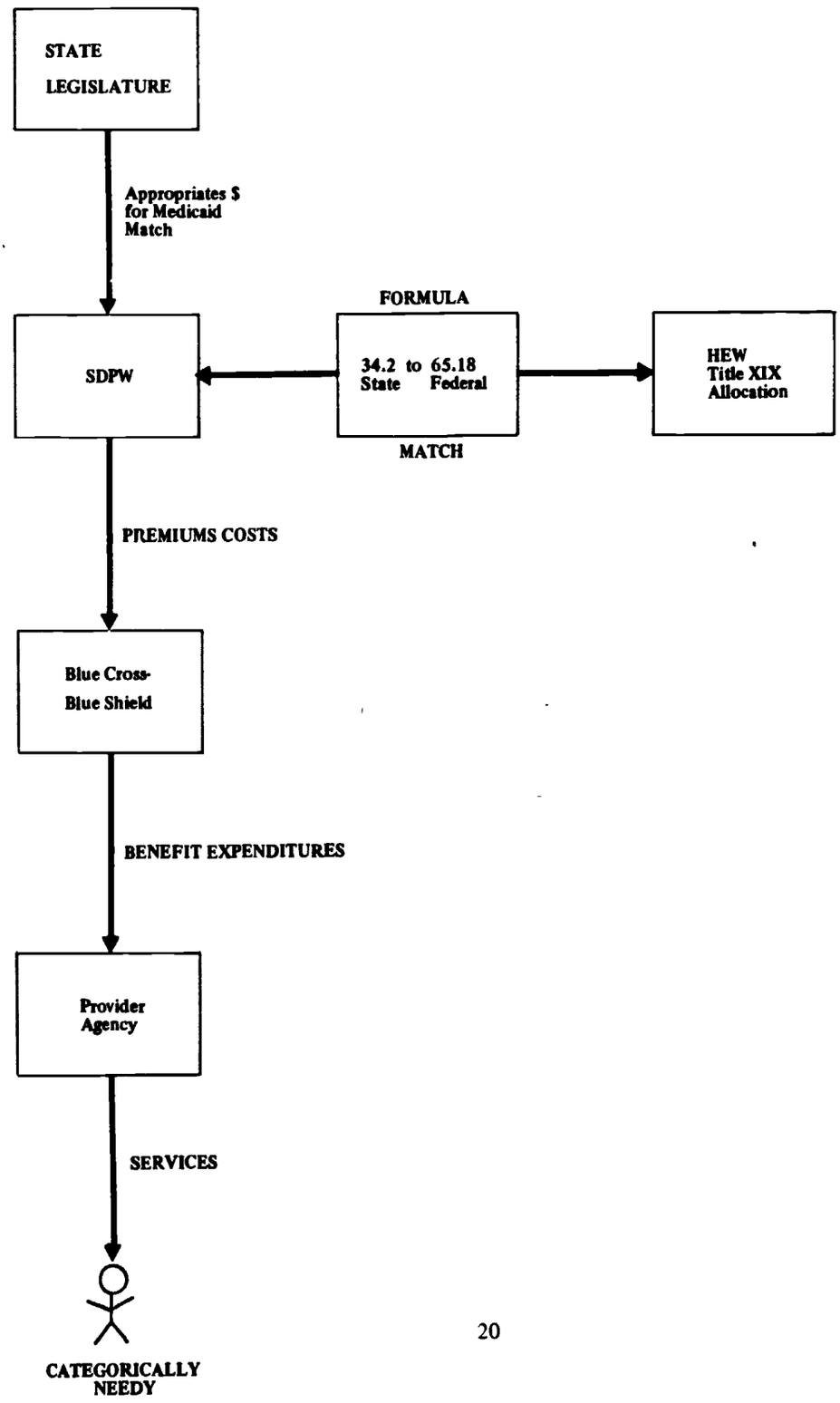
3. Due to the fact that the State Department of Public Welfare must concern itself with recipient medical profiles and other medical considerations, *interagency cooperation should be sought to aid SDPW in the construction and operation of an efficient mechanism for utilizing available funds.*

4. Rather than decrease the cost of individual AFDC premiums to the state, *the state should use the money in the Medicaid Reserve Account to increase the number of medical services available under the insurance policy or to increase the number of recipients served.*

5. *That section of the Social Security Act which provides for early screening, diagnosis, and treatment for Medicaid recipients, should be implemented by the state as soon as possible.* The program regulation implementing this title (Section 1905 (a) (4) (b)) was issued on November 9, 1971, by the Social and Rehabilitation Service of HEW; it specified that the initial program begin with children under six by February 7, 1972. This should be done immediately at least for this age group.

FIGURE 5
MEDICAID - TITLE XIX (SSA)

DELIVERY SYSTEM
(1972)



HEAD START
(TEXAS OFFICE OF ECONOMIC OPPORTUNITY)

Scope

Head Start is a program for the economically disadvantaged pre-school child. The program is characterized by (1) comprehensive services delivered to the child at the local level, and (2) an emphasis on family and community participation. The broad objective of Head Start, is to help each child realize his potential self-respect, emotional and cognitive development, social and familial responsibility, health, and nutrition.

A classroom atmosphere is employed as the setting for a developmental curriculum. The limit per classroom is fifteen to twenty children (depending on their ages), and the curriculum is co-administered by a teacher, a remunerated teacher's aide, and a volunteer aide from the community.

Funds

There are three basic alternatives for administering Head Start at the local level. Any Community Action Agency (CAA) may receive Head Start funds and administer the program; a CAA may also receive funds and delegate administrative responsibility to another capable public or private agency; in communities where no CAA exists, a qualified public or private agency may both receive funds and administer the program.

Age requirements for children seeking enrollment in Head Start programs are established by the type of program. *Full-Year* programs are primarily for children from three years old up to the age when the child enters the school system, but may include some younger children. *Summer* programs are operated during school vacation for children who will be attending kindergarten or elementary school in the fall.

In addition to these requirements, Head Start regulations state that at least 90 percent of the children enrolled in each class must be eligible under the OEO Guidelines. Under these guidelines, a nonfarm family of four must have an annual income of less than $3,800 to be considered impoverished. Once a child is admitted to the program he remains eligible until he enters school, unless the family income rises more than $3,000 above the prescribed poverty level.

The grant determiniation is *not* based on a standard allowable cost per participant. Grants are awarded by project and are each the product of negotiation between the Regional Office of Child Development and the particular CAA or single purpose agency applying. In this negotiation, a total budget for the project is reconciled with the particular number of children to be served without adherence to a national, regional, or statewide standard expenditure per child per year. (See Figure 6.)

As of August 31, 1970, 124 centers in Texas provided Full-Year (Part Day) Head Start programs for 5,454 children at a cost of $3,307,749 (see Figure 7). Full-Year (Full Day) Head Start programs in Texas operated 201 centers serving 7,867 children at a cost of $7,343,851. Summer Head Start programs in 208 centers served 13,783 children in Texas at an operating cost of $2,911,508. As of August 31, 1971, the number of Texas children participating in Full-Year (Part Day), Full-Year (Full Day), and Summer Head Start programs was 5,684, 8,037, and 13,072 respectively. Thus, of 1,211,036 children under age six in Texas, 26,793 children or about two percent are served by Head Start programs. (See Table 8.)

Head Start matching requirements specify that 20 percent of the total costs of Full-Year and Summer Head Start programs must be met from nonfederal sources once 32 months have elapsed since the date of the original funding. The 20 percent nonfederal share is not required in cash. Rather, credits are allowed to the applying agency for providing buildings, volunteer aids, or accoutrements that would help the program to succeed. Different rates are set for various creditable provisions. For example, playground space is credited at the rate of 20 cents per square foot with up to 75 square feet per child being creditable.

A maintenance-of-effort clause in the Economic Opportunity Act requires that Head Start *increase and supplement* any existing levels of local action against poverty. Head Start programs may not replace projects previously funded by nonfederal sources. Expenditures for Head Start, including the nonfederal share, must represent a net increase in expenditure from nonfederal sources for activities similar to those of Head Start.

Critique

1. The major weakness in Head Start since its inception in 1965 has been the lack of increase in federal funds to individual projects. No matter how much need can be demonstrated or how many in-kind credits are compiled, the federal share obtainable from OCD does not increase from year to year in most cases. This is because yearly congressional appropriations for Head Start do not increase.

2. While the cost per pupil per month in Head Start has no legal upper limit, OCD will monitor a project spending over $100 per pupil per month more closely than projects spending less, even though that rate of expenditure has been approved by OCD itself in negotiations with the applicant.

3. The Regional Office of Child Development condones

FIGURE 6

HEAD START FUNDING FLOW

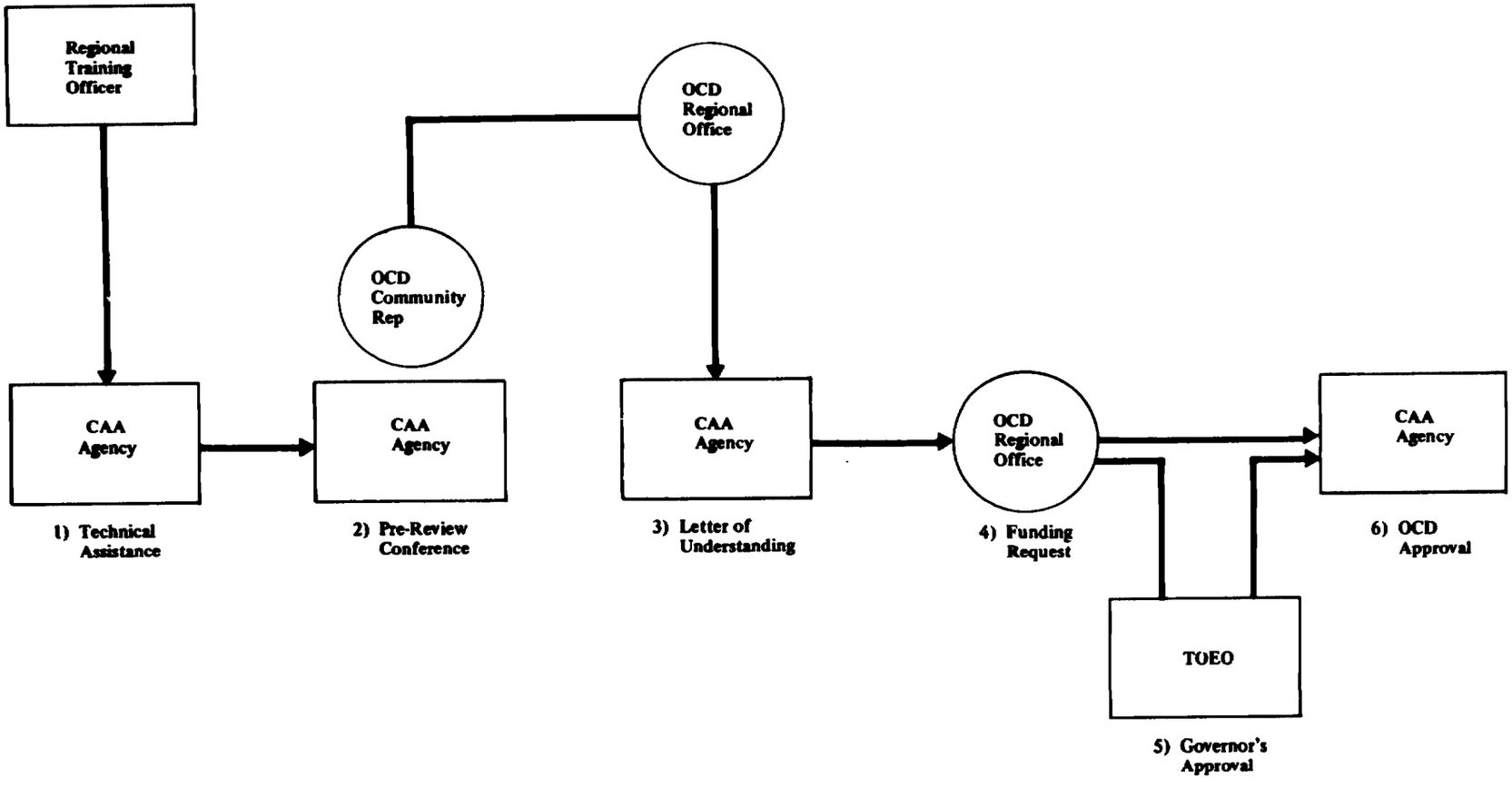
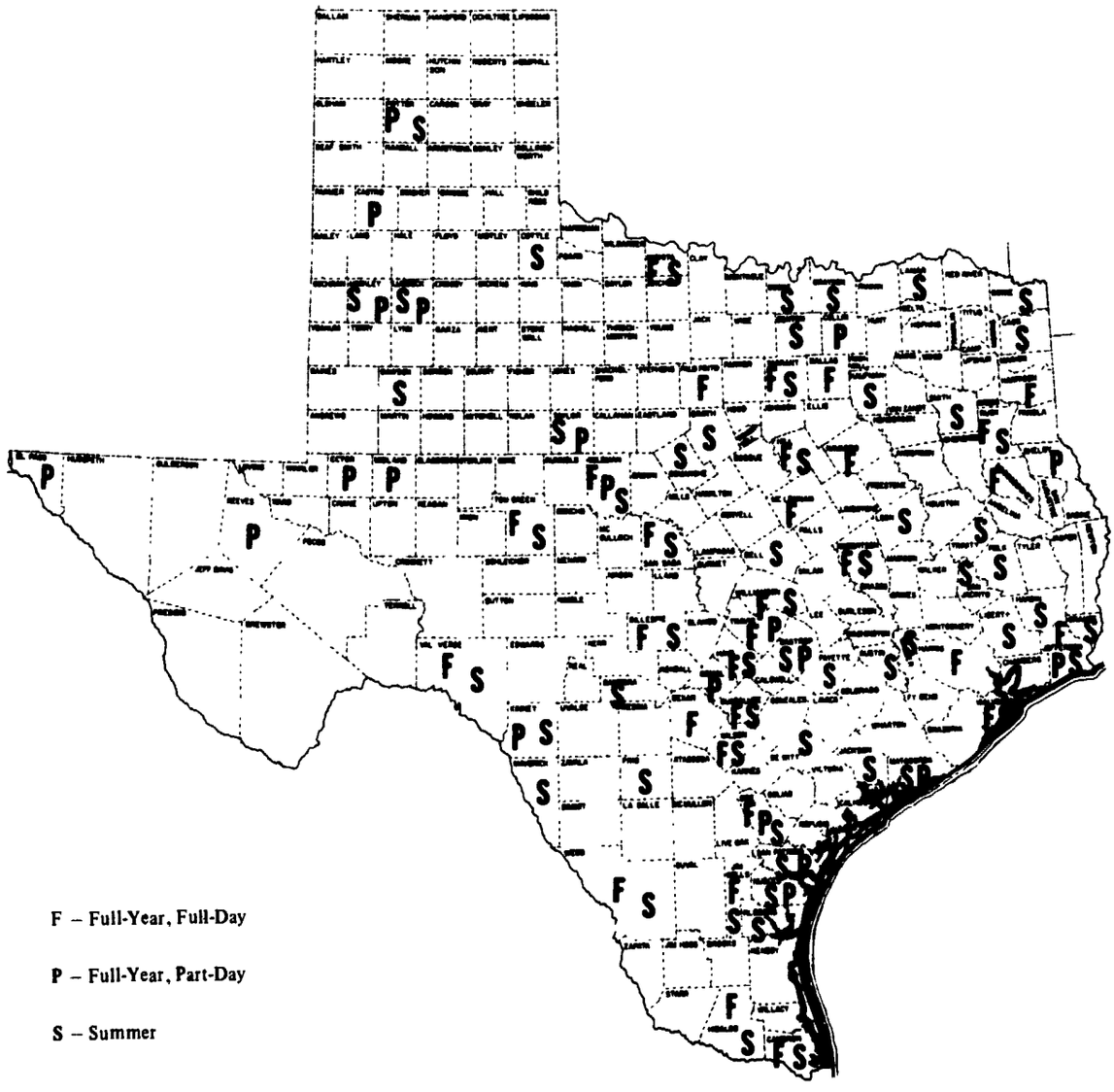


FIGURE 7
TEXAS OFFICE OF ECONOMIC OPPORTUNITY



F – Full-Year, Full-Day

P – Full-Year, Part-Day

S – Summer

TABLE 8

Head Start in Texas, FY 1971*

Program	Federal share	Nonfederal share	Total cost	Number of children
Training/technical assistance	$ 668,786		$ 668,786	
Full-Year (part day) Head Start	$ 4,970,029	$2,104,739	$ 7,074,768	8,330
Full-Year (full day) Head Start	$ 9,999,536	$2,589,176	$12,588,712	7,990
Summer Head Start	$ 1,178,776	$ 399,497	$ 1,578,273	5,149
Health Start	$ 45,000		$ 45,000	600
Parent-child center	$ 175,000	$ 44,250	$ 219,250	590
	$17,037,127	$5,137,662	$22,174,789	22,659

*Source: Office of Child Development, HEW.

a policy of priority admittance for children of working mothers. However, OCD will not permit the eviction of a child from a Head Start program after he is enrolled just because his mother is no longer working or participating in a job-training program.

It is required in at least one large Head Start program (San Antonio) that the mothers of participating children either must be in a job-training program or must agree to become employed or agree to enter training within six weeks of child enrollment. This provision seems to be contrary to the Office of Child Development guideline that programs "... must systematically seek out children from the most disadvantaged homes and encourage the enrollment of eligible children of all races, creeds, colors, and national origins."[1] This work requirement is discriminatory because of possible ethnic differences in attitudes toward work. (In Texas the employment rates of nonretired, poor black females is 56.9 percent, while for nonretired, poor Mexican-American females it is 23.5 percent.)[2] In addition, the requirement that mothers work seems to violate the apparent intent of the authorizing section of the Economic Opportunity Act.

4. Full-Year (part day) Head Start programs in some Texas cities operate for only nine months.

5. Parental participation in planning and decision making for Head Start programs is reflected through membership and activity on the Policy Council. In at least two major programs in Texas (San Antonio and El Paso) monitors reported to the HEW Regional Office that parental participation in policy making is currently insufficient.

ESEA TITLE I-REGULAR (TEXAS EDUCATION AGENCY)

Scope

The Elementary and Secondary Education Act (ESEA) strengthens and improves educational quality by providing financial assistance to local educational agencies serving areas with many children from low-income families. Most of the ESEA money utilized locally is provided through Title I-Regular which can only be employed for those children designated by the individual school districts as educationally handicapped. The act specifies that only those campuses having a concentration of low-income children greater than the district's average are eligible to receive Title I funds. Furthermore, Title I requires that the money should augment the quality of existing education and should not substitute for state or local money going for basic education.

Funds

The amount of money granted to a state is scaled according to its need. Congress appropriates Title I-Regular as a lump sum, with each state receiving the percentage of the sum equal to the fraction of eligible children in a state

among the national total. The lump sum approved by Congress is divided by the total eligibles in the United States to determine an average allocation per child. For FY 1972 the amount per child was set at $148.39. HEW calculates statewide need based on four variables:

1. Last national census (for children with family income less than $2,000)
2. AFDC data (for children with family income exceeding $2,000)
3. Foster home data (obtained from state welfare agencies)
4. Delinquent and neglected children statistics (obtained from relevant state institutions)

With the exception of census data, all other figures undergo annual adjustments. Data from the last census (which may be as much as ten years old) provide the basis for judging need. Based on the product of the total number of eligibles in the state times the nationwide average allocation per child, Texas in FY 1972 received $73.1 million in Title I funds, broken down in this manner:

ESEA Title I-Regular	Grant awards
Low income	$69,566,731
Handicapped	2,243,741
Delinquent	821,414
Neglected	475,132
Total	$73,107,018

Once the federal allotment for Texas is determined, disbursement to the appropriate school districts within the state rests with the Texas Education Agency. The process of local distribution involves three stages. First, the HEW computation of state need is essentially an aggregation of county needs. In effect, this means that HEW in awarding the state grants automatically determines the maximum grant entitlement for each county as well. By placing an upper limit on the number of recipients per county, HEW supplants any TEA attempts of devising a more equitable method of financial distribution at the county level. This becomes especially critical as the census data get older, thus producing inaccuracies in the assessment of county needs.

The second stage involves the division of the county grant among the eligible school districts. At this point, the process becomes significantly more complex and fraught with major problems. In 1965, the first year of the program, the school districts within each county met with TEA to determine the share of the county grant each district would receive. The percentages agreed upon at that time have not changed over the last seven years. In 1965, a sizable portion of the districts were not aware of the amount and importance of ESEA monies and therefore perhaps bargained unwisely. Coupled with this, population growth and shifting migration patterns of particular areas have produced an inequitable system of fund distribution. Districts have, in effect, become locked into a system of sharing that is obsolete. This remains true despite the fact that school districts annually reapply to TEA for Title I funds through the Consolidated Application for State and Federal Assistance (CASFA). As a budgeting and monitoring device, the application only serves to reinforce existing inequities. Each June TEA, utilizing a continual resolution authorized by Congress, approves for each district 90 percent of its previous year's budget. Consequently, CASFA functions merely as a process by which incremental adjustments can be made on 10 percent of a district's budget and is, therefore, incapable of serving as a mechanism for correcting major inequities.

The third and final stage involved in the funding process is the distribution of funds to the individual schools within each respective school district. Essentially, this division of funds is determined when the school district submits its consolidated application to TEA, because information contained within CASFA includes not only the number of eligible children but also the designation of eligible schools ranked by the percentage of low-income concentration.

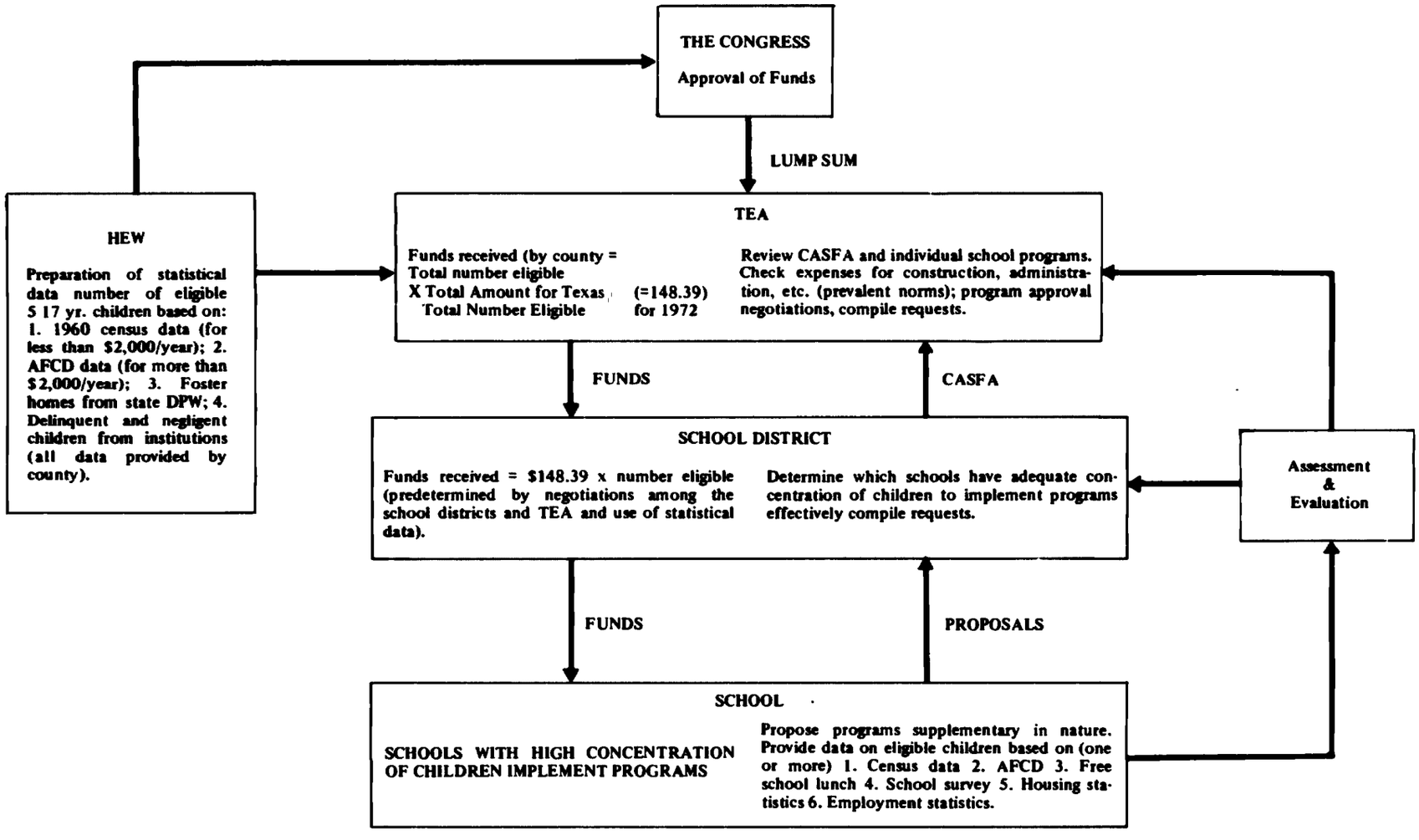
As was mentioned earlier, the awarding of funds at this level adheres to the federal specifications that only those schools whose concentration of low-income children exceed the district average be awarded funds. As an *intradistrict* process of distribution, the federal guidelines present no major problems with regard to fairness. As an *interdistrict* approach, however, they allow for gross inequities that are beyond the control of TEA to rectify. This can be clearly shown by a comparison of two school districts, the Austin Independent School District (AISD) and the Edgewood Independent School District (EISD) in San Antonio. The AISD's average concentration of low-income children is 15.67 percent; EISD's counterpart figure is 55.47 percent. Given the federal requirement of higher than average district concentration, the result is that in EISD a school with a 50 percent concentration of low-income children is ineligible for ESEA funds, while in the AISD, a school with a 20 percent concentration will receive funds. The inequity is magnified when one considers that, given schools of equal size, those ineligible in the EISD were relatively more responsible in the initial grant determination for obtaining the federal funds than those children in the AISD school actually receiving the funds. A system that utilizes one measurement to determine grant amounts and another to disburse them is neither logical nor equitable. (See Figure 8.)

Observations about Title I-Regular

The primary cause of the inequities and malfunctions within the program, is to be found not with TEA, but with the federal government. If the state administering agencies were given more discretionary controls rather than merely

FIGURE 8

ESEA - TITLE I - REGULAR FUNDING NETWORK



functioning as intermediaries, the most glaring inequities could be reduced. The federal government has succeeded in tying TEA's hands, first, by imposing upper limits on funds expended per county; and second, by discriminating against the poorest school districts through a system that calls for payments based on relative need within the small universe of school districts as opposed to one based on indicators of absolute need for schools throughout the state. A more equitable distribution would ensue if TEA could disburse funds based on a statewide ranking of district needs discounting an earmarking process for county grants. The consolidated application form could be retained with the new policy stipulating that all schools within a district are potentially eligible for ESEA monies. The funds for an individual school would then be determined by comparing its low-income concentration to the *state* average rather than to the *district* average. In this manner, the "well-off" school in a poor district has the same opportunities as the "poor" school in a rich district.

Some secondary problems that must be reckoned with include (a) a uniform procedure of need determination for all districts, (b) a system for adjusting census figures to counteract progressive obsolescence, and (c) the development of mechanisms to improve coordination among agencies. The variables employed in gauging need remain inconsistent from school to school and district to district. Even if the same process for allocating funds is retained, uniformity of need determinants would be desirable to ensure at least a slight improvement in the equity of allotments. There are no simple solutions to problems with the use of census data to determine need. In terms of state allotments, it is unlikely that census data could be discarded as a variable, because it is the only uniform national indicator despite its inaccuracies. The use of census data within the state, however, should be increasingly deemphasized toward the end of a census decade. More attention should be given to those factors that can be adjusted annually, e.g., AFDC data, free school lunch surveys, health statistics, school surveys, and unemployment statistics. With respect to coordination, significant administrative improvement would be brought about if common fiscal years could be adopted by the agencies.

ESEA TITLE I-MIGRANT (TEXAS EDUCATION AGENCY)

The Title I-Migrant Program is intended to benefit migratory children. A child is defined as migrant and therefore eligible for the Program if he is the offspring of a migratory agricultural worker who has moved with his family from one school district to another during the preceding year in order that he or another member of his family might secure employment in agriculture or related food processing activities. The State of Texas, due to its large proportion of migrant laborers, receives over 20 percent of the allotted federal appropriations of $57.6 million.

The amount of money school districts receive per child and the funding mechanism through which they receive the money differ from Title I-Regular procedures. The responsibility for determining the national level of need rests with the Department of Labor. The Labor Department then bases the amount of a state grant on (1) the number of migrant children times (2) the part of the year they spend in the state times (3) the national average expenditure per pupil. On the basis of this formula, the grant breakdown for Texas in FY 1972 is as follows:

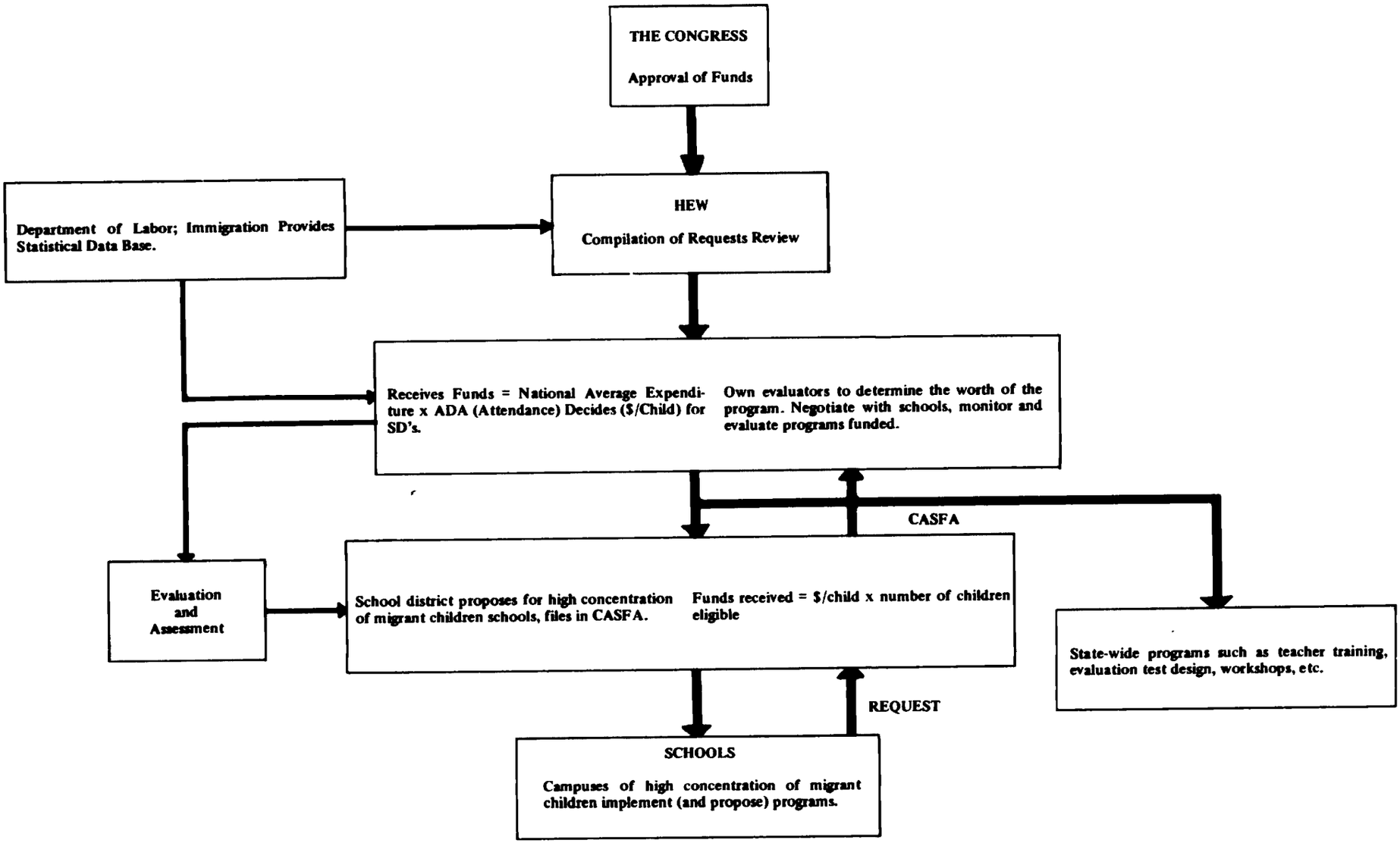
Direct Assistance to Local Education Agencies (includes preschool and summer program)	$10,915,000
Staff and Program Development	90,000
Summer Staff Development Institute	450,000
Interstate Cooperation Project	95,000
Regional Education Service Centers	450,000
Texas Migrant Education Development Center	887,500
Total:	$12,887,500

The local school districts include their migrant needs within their consolidated application, and TEA reviews their programs with respect to the relative concentration of migrant children. Both the required amount of concentration and other factors determining program acceptability are established by the Texas Education Agency. Within TEA, Title I-Migrant constitutes its own division, although the budget and evaluation process is handled in the same manner as Title I-Regular. (See Figure 9.)

Because TEA has the power to determine the amount of money per child that will go to the districts, it can exercise considerable flexibility in developing a comprehensive statewide program for migrant children. The federal allotment per child is $230; TEA, however, gives out $210 per child to the designated school districts. The remaining amount is used to maintain statewide programs. Efforts currently underway include designing evaluation tests suited for the migrant culture, instituting interstate cooperation programs

FIGURE 9

ESEA - TITLE I - MIGRANT
FUNDING NETWORK



with the objective of exchanging administrative and programmatic expertise, and developing summer programs across the state. Other programs funded in this manner involve the establishment of staff development programs and the creation of a record transfer system to facilitate program administration.

Title I Programs Compared

A comparison of the administration of both Title I programs reveals a considerable degree of variance. For both Migrant and Regular programs, TEA functions essentially as a monitoring agency. Its controls focus on programmatic rather than financial aspects. No monetary controls can be exercised for Title I-Regular, but the Migrant program allows for some TEA discretionary powers. TEA administrative costs fall under a different funding source for Regular, whereas for Migrant, one percent of program money is deducted to offset the administrative burden.

A major difference between the two programs is evident in the procedures used for awarding grants to schools. Unlike the Title I-Regular formula based on a comparative analysis of school need within a district, Title I-Migrant allows TEA to determine need irrespective of formula constraints. In effect, this means that all schools within a district may receive Migrant funds if they are deemed deserving. The same does not hold true for Regular funds, even if all the schools in a district have extremely high concentrations of low-income children. The more equitable arrangement in the distribution of Migrant funds is the direct result of employing a wider base of comparison instead of the limited base of a given school district.

ESEA TITLE VII-BILINGUAL EDUCATION PROGRAM (TEXAS EDUCATION AGENCY)

The Bilingual Education Program is designed to meet the special educational needs of children who have a limited ability to speak English or who come from environments where the dominant language is not English. The program is characterized by a set of procedures markedly different from those used in Title I programs. The channeling of funds bypasses TEA, although the agency plays a greater role in providing technical assistance than it does in administering Title I programs. The eligibility criteria for Title VII show a greater degree of flexibility regarding project specifications. Funds are made available for exemplary pilot or demonstration programs allowing for considerable variance in content relative to particular settings. Any campus may apply that has a substantial concentration of children with English-speaking deficiencies from families whose income is below $3,000 per year or who receive AFDC benefits.

After the school districts make application for funds, TEA ranks all the programs according to funding priorities. The ranking then goes to HEW which in turn establishes its own committee familiar with the local areas to rank the needs a second time independent of the TEA effort. Any discrepancies between the rankings are then negotiated between TEA and the HEW committee. Once the discrepancies are resolved, the congressional appropriation is distributed among the states offering the Bilingual Program. For FY 1972, Texas received $5.45 million or approximately 16 percent of the total $35 million federal appropriation. At this point, HEW approves and funds directly the top ranking programs until the state allotment ceiling is reached. The lower ranking programs are simply not funded. The role of TEA under Title VII consists of providing supervision, evaluative services, and project direction to the schools. (See Figure 10.)

Observations on Title VII

Like many federal programs, Title VII is underfunded. It barely scratches the surface in meeting the need for bilingual education. Of an estimated 600,000 eligible children in Texas, only 20,000 are presently served under Title VII. The structure of the funding mechanism demands too much initiative from the individual schools. Many children are turned away as a result of lack of motivation to have programs initiated at the local level. As it is improbable that federal appropriations for Title VII will dramatically increase in the near future, the State of Texas should give serious consideration to providing state funds for bilingual education.

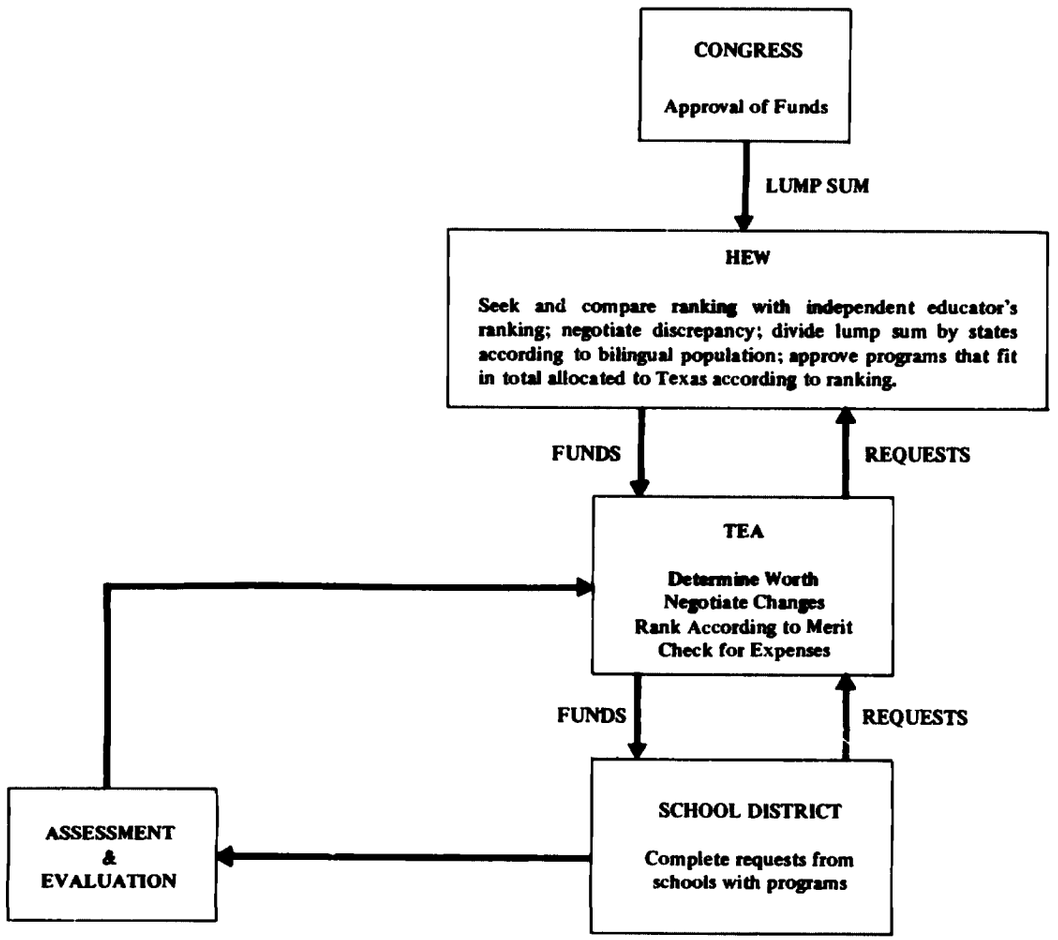
TITLE V-MATERNAL AND CHILD HEALTH (STATE DEPARTMENT OF HEALTH)

Under Title V Section 503 of the Social Security Act, Congress annually authorizes the appropriation of funds for the Maternal and Child Health (MCH) program. These funds are given to the states in the form of block grants for programs designed primarily to assist persons living in rural or economically distressed areas by reducing infant mortality and improving the health of mothers and children. In Texas, Title V funds predominantly support programs for antepartum and postpartum maternal care and for Well Child Conferences.

The financing of MCH programs is provided for by two federal funds, Fund A and Fund B. The total federal appropriation for MCH is $59.25 million with Funds A and B in roughly equal allotments to each state. The apportionment of money to the states is scaled according to need. For Fund A each state receives a basic grant of $70,000 along with additional allotments based annually on the proportion of live births in the state to live births in the nation. States must match dollar for dollar the funds allotted to them under Fund A, which is used primarily to provide

FIGURE 10

TITLE VII - ESEA
BILINGUAL EDUCATION FUNDING NETWORK



continuity of services. The federal apportionment for Texas under Fund A for FY 1972 totalled $1.6 million.

Under Fund B, $10 million of the appropriation is reserved for special projects on a nationwide scale. The remaining $19.6 million of the total federal appropriation under Fund B is apportioned to the states according to a complex formula in which the allocated amount varies directly with the number of urban and rural live births and inversely with the state's per capita income. The formula provides that births in rural areas be given twice the weight of those in urban areas. The states are not required to match the federal funds allotted to them under Fund B which are used primarily as supplemental monies to provide services on a nonrecurring basis. For FY 1972 Texas received $981,634 from Fund B. (See Figure 11.)

The total federal grant of $2.5 million to Texas is the third largest in the nation, after New York and California. Total funds earmarked for MCH services in Texas equal $4.1 million, including the state and local matches. The responsibility for disbursing the federal and state funds to local health departments rests with the State Department of Health (DOH). The department's procedures for determining local apportionments are imprecise and discretionary in nature and reflect no established criteria for measuring local needs. For example, unlike the allocation of ESEA Title I funds, county statistics, although used as a means for determining state apportionment, are not used as a criterion for dispensing funds. The variables generally used for allocating the local shares are (1) the size of the city, (2) the need to be met, (3) the prerogative of the local health director, who may decide to emphasize the continuation of a program or to initiate another program, (4) the dependence of the health department on the local medical society for participation in the programs, and (5) the previous year's expenditure reports. Ironically, using the size of the city to determine the local share is antithetical to one of the basic legislative intents of the program, i.e., to assist children living in rural areas. This is especially misleading because rural births are weighted more heavily than urban births in determining each state's share of Title V funds.

SUMMARY TABLES AND FIGURE

Table 9 lists the approximate number of children receiving assistance from the aforementioned ten programs. The figures should not be totalled because they overlap to an unknown degree. These approximations are for FY 1972.

TABLE 9

Services to Children Under Ten Major Federal Programs, State of Texas, FY 1972

	Number of children	Age group covered
SSA Title IV-A AFDC Payments	330,000	(0-21)
SSA Title IV-A AFDC Social Services	4,000	(0-6)
SSA Title IV-B Child Welfare*		
SSA Title IV-C WIN Day Care	3,000	(0-6)
SSA Title XIX Medicaid	330,000**	(0-21)
ESEA Title I-Regular	500,000	(5-17)
ESEA Title I-Migrant	62,000	
ESEA Title VII-Bilingual	20,000	
SSA Title V-Maternal and Child Health*		
EOA Head Start	26,793	(3-6)

*Data not available.

**Does not include non-AFDC "categorically-related" children.

FIGURE 11

TITLE V - SOCIAL SECURITY ACT -
MATERNAL AND CHILD HEALTH DELIVERY SYSTEM

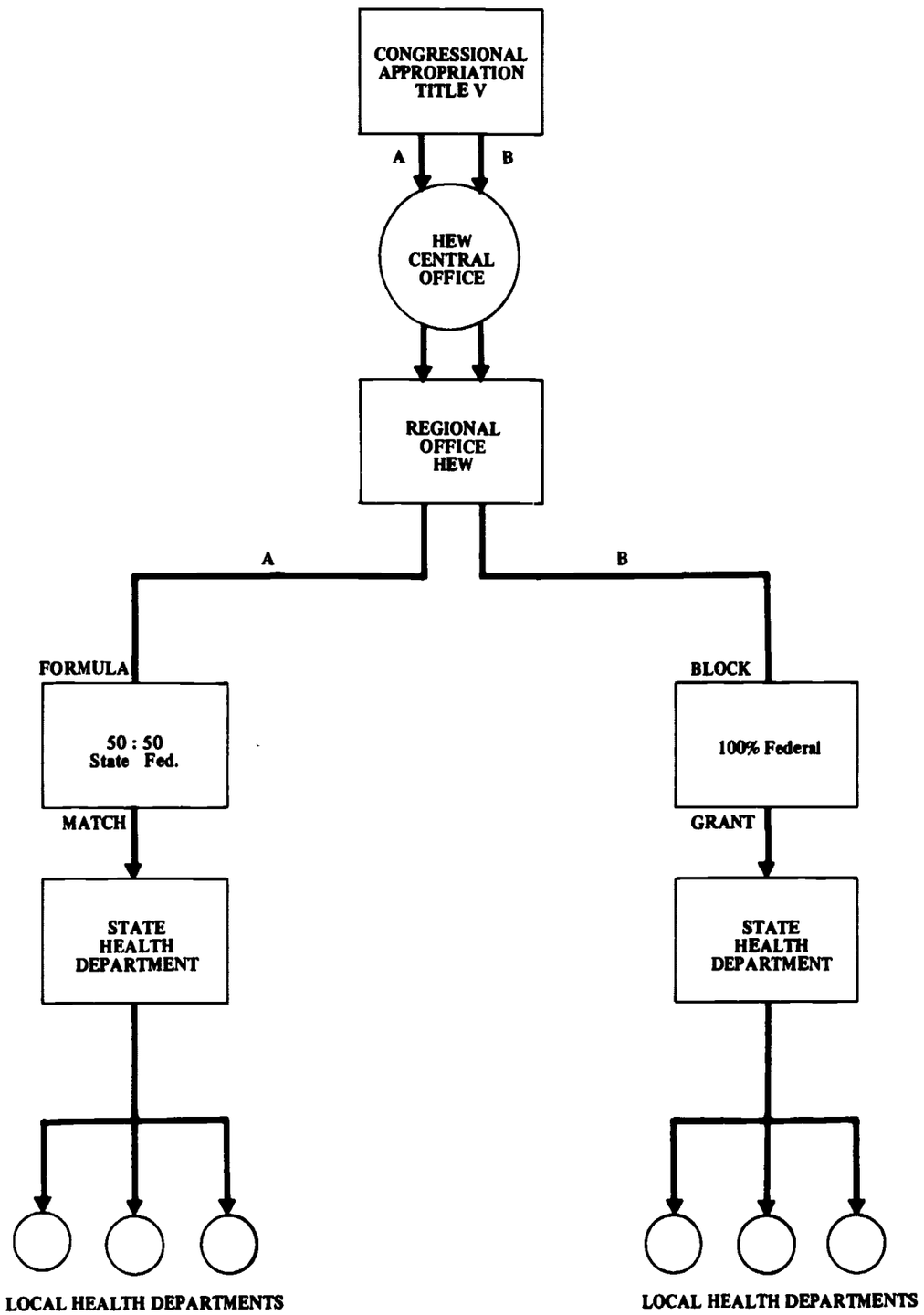


Table 10 lists the approximate figures for funds, broken into federal and state contributions, for the ten aforementioned programs for children in Texas for FY 1972.

Figure 12 provides an overview of the funding arrangements for the ten major child-development programs.

TABLE 10

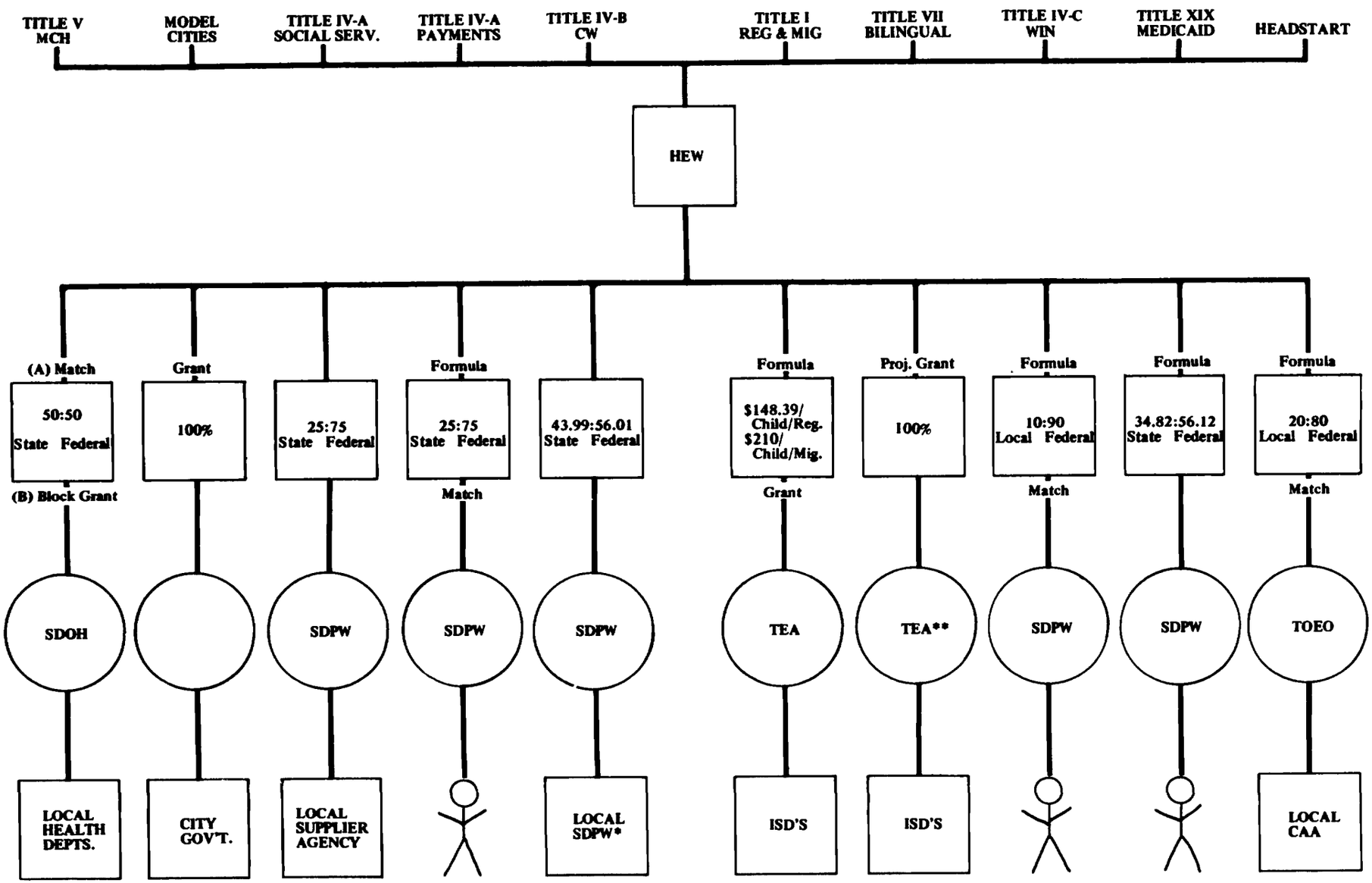
Federal & State Funds for 10 Major Federal Programs for Children, State of Texas, FY 1972

	Federal	State	Total
SSA Title IV-A Payments	$124,234,173	$41,739,705	$165,973,878
SSA Title IV-A Social Services*	10,210,752	4,376,036	14,536,788
SSA Title IV-B Child Welfare	6,200,000	3,300,000	9,500.000
SSA Title IV-C WIN	3,249,000	1,082,000	4,329,000
SSA Title XIX Medicaid	15,676,000	8,374,000	24,050,000
ESEA Title I-Regular	73,107,018	--	73,107,018
ESEA Title I-Migrant	12,887,500	--	12,887,500
ESEA Title VII-Bilingual	5,450,000	--	5,450,000
SSA Title V-Maternal and Child Health	2,500,000	1,600,000	4,100,000
EOA Head Start	13,560,000	--	13,560,000
Totals	$267,074,443	$60,471,741	$327,544,184

*Excluding DPW staff salaries.

FIGURE 12

FINANCIAL NETWORK FOR CHILD DEVELOPMENT PROGRAMS



*IV-B. Match money goes to pay salaries for local SDPW case workers.

**TEA functions in assistance capacity only; money flows directly to ISD from HEW.

CHAPTER II

CHILD DEVELOPMENT PROGRAMS AS A SYSTEM

INTRODUCTION

Ascribing proper nomenclature to a conglomeration of child-development programs can easily result in a futile academic exercise. However, identification of program interties can also have operational importance. It is with this purpose in mind that this chapter looks at the interconnections–existing or potential–among the various programs discussed in the preceding chapter.

In one sense, it would be improper to characterize the package of federal programs discussed in Chapter I as a *system*, since that presupposes a routine of interaction and interdependence among components. On the other hand, describing the extant child-care environment as a *non-system*[1] would, by definition, assume that such interrelationships among components are nonexistent. Neither extreme adequately represents the current situation. The group of programs might best be considered a protosystem containing no rational network of interrelationships, but rather, containing the variables necessary to create a system of regular patterns. The role of state government as the link in developing the protosystem is crucial. Given the existing components, a state has the opportunity to impose a rational system upon child-care services thus expanding the actual number of service recipients, improving the operational efficiency of the programs, and developing a more comprehensive framework of available services.

It should be emphasized that this chapter addresses itself only to developing a program subsystem within a comprehensive child-development system. This comprehensive child-development system includes a wide array of components and forces interacting, including interest-group expression, attitudes and behavior of the whole population as well as the recipient population, functioning of the political system and bureaucracy, and activities of private and semipublic sectors, and *all* public-sector programs affecting families and children.[2] The program subsystem, for our purposes, is defined as the aggregation of the ten major programs directed toward and confined to the low-income population in Texas. Ideally, the development of a child-care system would undergo an evolutionary process from a protosystem through a comprehensive welfare system to a social-service system. (See Table 11.)

Realistically, Texas can at present only direct its attention toward the second stage of development, hoping to meet the needs of its economically deprived citizens. Texas must operate within the constraints of existing federal mandates which preclude a state from undertaking a comprehensive approach to child care. But much can be done by the state. It can create and utilize the necessary program links in order to augment the impact of the protosystem.

The development of this strategy to its maximum extent, may permit the gradual transition of services from a welfare system to a social-service state. Texas can realize this objective by opening up services wherever feasible to those who want child-care services *and* can pay for them. This would not only reduce the negative connotations of welfare, but also expand the service population to include higher income levels.

THE PROTOSYSTEM

Figure 13 depicts the existing eligibility and service links among the system components as described in Chapter I. The salient feature of the protosystem is that most of the links are contained within the Social Security Act programs, and that the origin of those links is from two central programs, Title IV-A Payments and Title IV-A Social Services. Title IV-A Payments serves as a center for output, providing programs with the basic determinant for establishing program eligibility. Title IV-A Social Services serves as a locus for input, identifying programs whose recipients, by the fact that they receive service, automatically qualify for Title IV-A Social Service benefits. In essence, the entire linkage process within the protosystem revolves around either or both of the two Title IV-A programs. The links between programs do not necessarily imply any reciprocity. For example, recipients of Title IV-A payments, IV-B, IV-C, or XIX automatically qualify for IV-A Social Services, although the converse is obviously not true. Likewise, Model Cities links reflect that program's capacity for drawing multiple programs into their sphere to provide a more comprehensive package of services. Despite the lack of eligibility and service reciprocity, a high degree of recipient interchange between programs still exists. The sum of individual program recipients far exceeds the total population of recipients in the system. Although a large number of children receive services under more than one program, extension of multiple services to a sizeable group of children should not obscure the even greater number of eligible children who receive either one service or none.

ESEA AND SSA

The prototype system is characterized by two major program clusters, which fall under the Elementary and Sec-

TABLE 11

Evolution of Child-Care Systems

Stage	Protosystem	Welfare system	Social-Service System
Scope	Noncomprehensive	Comprehensive services for low-income people	Comprehensive services for people of all income levels
Process	Minimal interrelationships between components	Increased network links	Aggregation of public sector markets
Financing	Public	Public	Public–Private (sliding fee scale)

ondary Education Act and the Social Security Act. The conspicuous absence of connectors between these two primary federal authorizations clearly indicates a lack of mutual interdependence of components within the protosystem. Although informal eligibility lines between Titles I and IV-A may be derived from Title I's use of recipients of AFDC to define eligible populations, no formal contracting or monetary links exist between the two programs in Texas as they do, for example, in California. In effect, the ESEA programs can be treated under present arrangements as isolated nodes with the single exception of Title I's service link to the Model Cities Program.

Title IV-A Social Services

The major issue in the child-care crisis that confronts Texas is the inability to extend services to the entire eligible population. Each component program, with the exception of Title IV-A Social Services, can do little to expand the service population, given its eligibility constraints and, more importantly, its resource limitations. Title IV-A Social Services, however, is not equally restricted. It wields greater flexibility in defining eligible recipients. It also possessed unlike any of the other programs, an unlimited capacity for acquiring financial resources. Recently a financial ceiling for this program was enacted into law, thus severely limiting the growth potential of social services delivery. But Title IV-A Social Services still functions as the key input center in the protosystem. It provides the service link to the remaining programs and defines a relatively wide base for specifying service populations in particular with respect to child-care services. Equipped with these characteristics, Title IV-A Social Services might be expected to be the central means for providing services to children. In reality, however, Title IV-A Social Services is far from the center of a child-development delivery system for Texas. The paradox is reflected in Figures 14 and 15.

Figure 14 points out that if all eligible recipients utilized the two programs, the IV-A Payments population would be completely subsumed within the Social Services population. Since IV-A Social Services eligibility requirements admit past, present, and potential IV-A Payments recipients, the Social Services program, if maximized, would possess a service population substantially larger than that of IV-A Payments.* Figure 15, however, depicts the actual situation in Texas. As a result of local financial limitations, the actual recipients of IV-A Payments, despite the more restrictive eligibility criteria, far outnumber the actual IV-A Social Services recipients. Moreover, a large number of AFDC recipients, for whom the IV-A Social Services program is basically intended, remain untouched by the delivery of the Social Services program.

RECTIFYING THE IV-A PARADOX

The task for Texas consists of increasing the number of social service recipients and providing the necessary vehicle for effecting that expansion. Texas' efforts must center on development of an innovative policy for rectifying the IV-A paradox.

*The inclusion of past and potential recipients was limited recently to ten percent of total program cost. However, child care services are exempt from this restriction.

FIGURE 13

COMPONENT LINKS IN CHILD DEVELOPMENT PROTO-SYSTEM

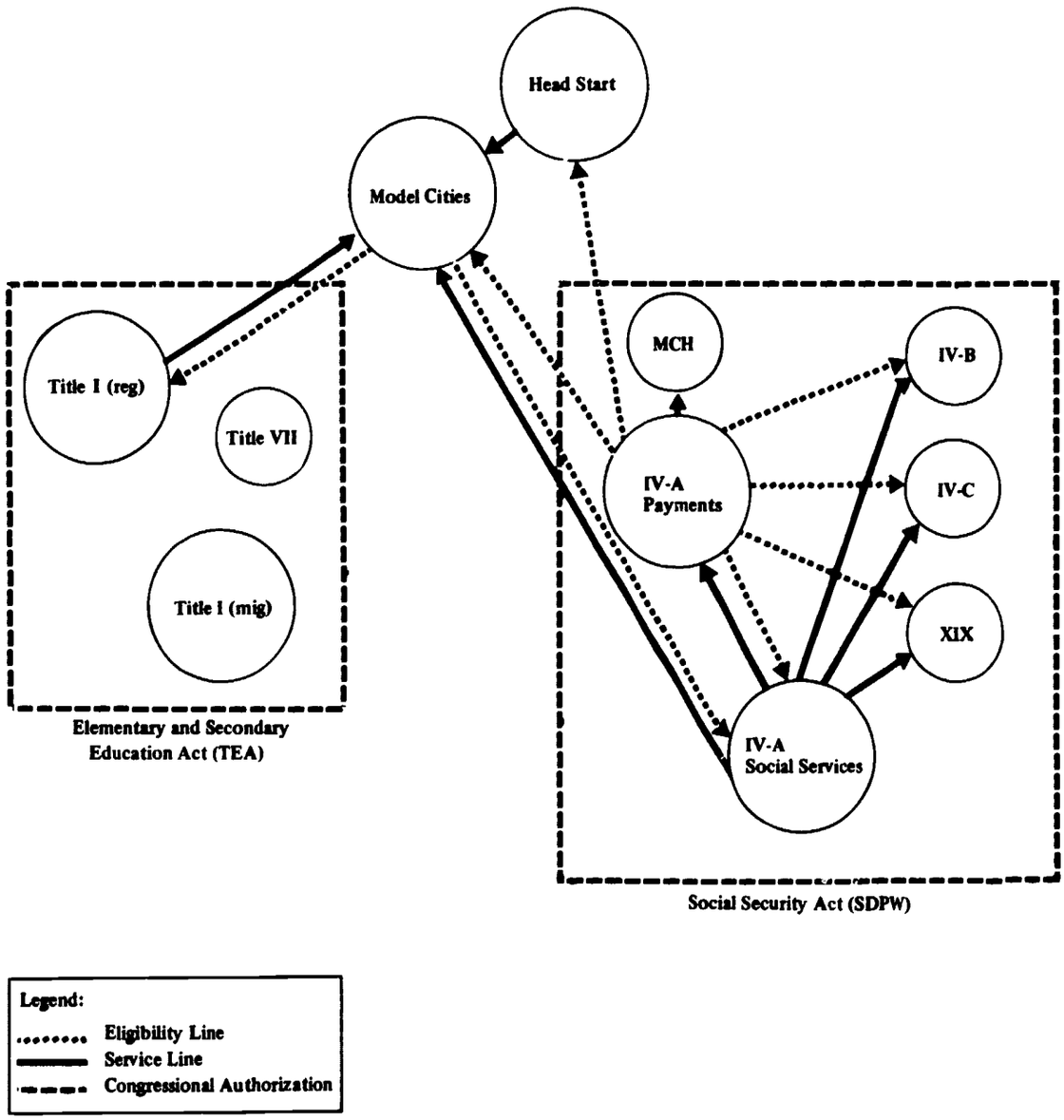


FIGURE 14

PROGRAM ELIGIBLES IN TEXAS

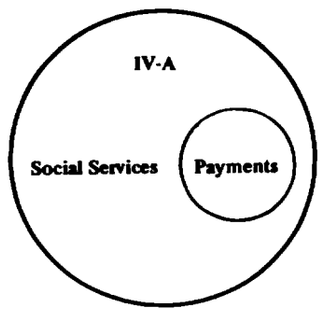
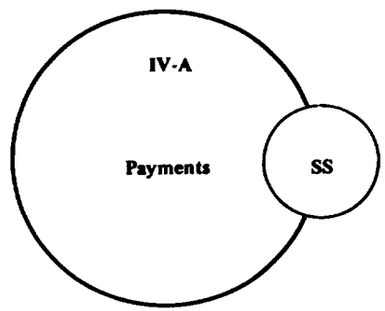


FIGURE 15

ACTUAL PROGRAM RECIPIENTS IN TEXAS



The Federal Model Cities Program

By far the most effective existing vehicle for implementing the IV-A Social Services program is Model Cities. Its impact on the delivery of IV-A Social Services is clearly evident in Texas. As was pointed out in Chapter I, 75 percent of all IV-A Social Services money goes into the eight cities having a Model Cities program. As Figure 13 indicates, Model Cities is the only component outside of the Social Security Act subsystem that functions as a link for otherwise isolated input and output centers. Model Cities is a unique federal program: (1) it serves as a receptor for other federal programs; and (2) it provides supplemental federal funds to be used as the local match for those programs. The strengths of Model Cities—its capacity to link services from every conceivable component—create a viable process for ensuring delivery of services on a comprehensive scale. Until recently the Model Cities program was unique also in allowing residence in certain geographic areas as a sufficient eligibility criterion, but this has been replaced by individual eligibility determination as part of the general tightening of rules in anti-poverty programs.

Utilizing Model Cities as the ideal vehicle is, of course, limited in scope. The program will not be expanded beyond the eight Texas cities that already have it; in fact, the future of the program across the nation remains doubtful. Texas, however, can undertake the task of simulating the Model Cities Program, rebuilding the concept around IV-A Social Services. The State may exercise the option for expanding IV-A through the process of blanket eligibility according to specific conditions. Liberalizing the definition of individual eligibility according to conditions allows for the possible inclusion of abandoned, dependent, and neglected children, delinquents, and those mentally and physically handicapped who otherwise would not be considered for such services. Such states as Illinois, Massachusetts, and Minnesota have already undertaken steps to enlarge their potential IV-A population in this way. In addition to establishing conditional criteria, it seems that states no longer have the other alternative of providing block eligibility for IV-A Social Services according to geographic conditions. It remains to be seen how a number of states will react to new restrictions which would no longer permit them to base IV-A eligibility on such criteria as (a) Title I School Districts whose AFDC population exceeds 25 percent of the total population, as in California; (b) areas with a set percentage of low-income housing, as in Illinois; (c) areas in which the average income per family falls below a predetermined poverty level, as in Massachusetts, Minnesota, and Illinois; or (d) areas where the average rent is more than 25 percent below the national average.

Utilization of whatever options can be exercised under present law will provide a partial solution, yet merely enlarging the potential recipient population is not sufficient. Unless complementary measures are also provided, re-definition of eligibility will only serve to increase the number of present eligibles not receiving services. Inability to generate an adequate supply of IV-A projects through locally based funding emphasizes the need for Texas to assume supplementary financial responsibilities in the provision of IV-A Social Services.

A State Model Cities Program

The greatest impact Texas could have in serving a greater number of low-income recipients would be to develop a state Model Cities Program. Functioning in the same capacity as the federal Model Cities Program, state projects with blanket eligibility for dependent children could draw from Title IV-A while expanding the market of eligibles. While the application of this concept to a wide variety of social services will no longer be possible under new federal eligibility restrictions, programs for children and family planning activities can still be directed to present, *past and potential* recipients of Title IV-A payments. There is little question about the need for expanding child-care programs. In addition, the new federal regulations provide the state with a financial incentive to give priority to this area of social services which, as mentioned, is exempt from the otherwise required concentration on present welfare recipients. The Department of Public Welfare spent $138 million on social services during fiscal year 1972. With the introduction of the new social services spending ceiling, Texas will be allowed $128 million in 1973. However, according to current estimates only $49 million can be claimed according to DPW estimates. The rest would be lost since it is being spent for past and potential recipients in programs that in the future will have to be directed if not exclusively, at least to 9/10 of total cost, to present welfare recipients. The consequences of implementing such projects would be significant.

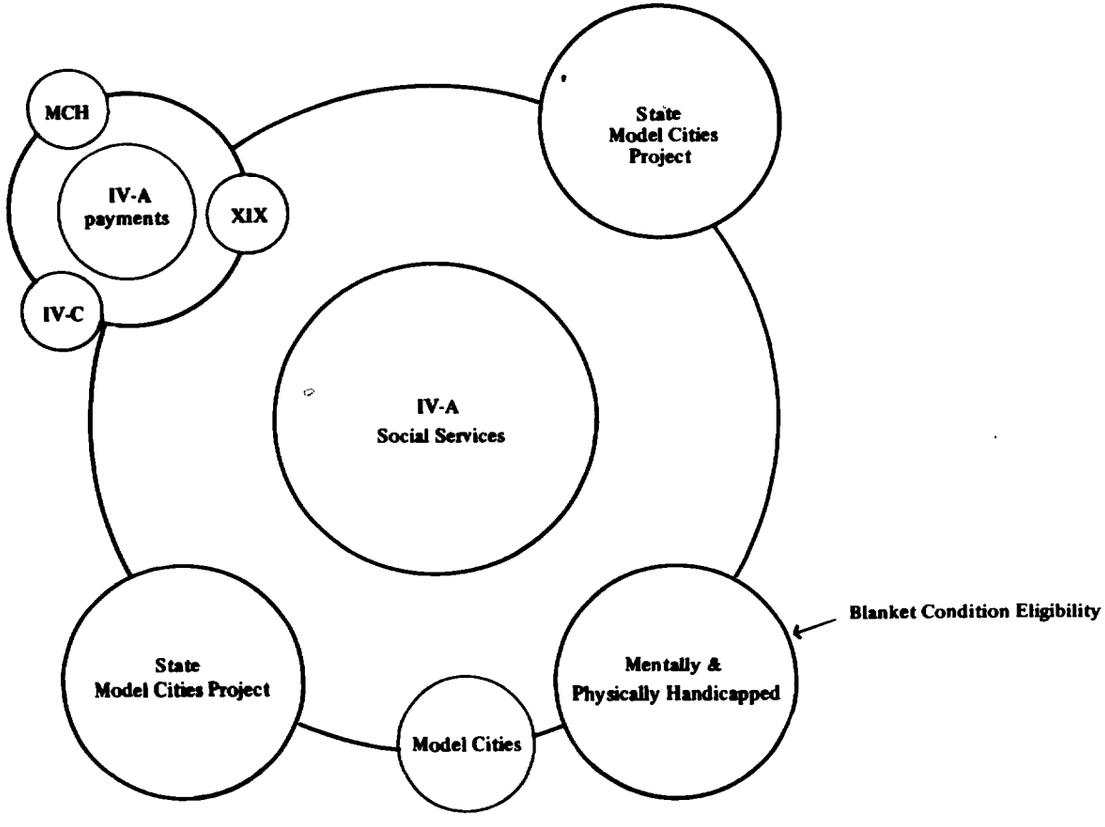
By liberalizing eligibility criteria, the number of actual recipients would increase while the number of unserved IV-A Payment recipients would decrease. The state would, in effect, be attacking and correcting *problem areas* rather than attempting to locate and provide services to a geographically scattered group of individuals. There are grave responsibilities inherent in such an undertaking. However, as the state assumes a greater responsibility for offsetting the lack of local financial resources, the federal government should simultaneously try to lighten the state's burden. This can be accomplished by easing the restrictions on blanket eligibility and, more importantly, by facilitating use of matching funds whenever feasible. In doing so, the federal government would enable Texas to improve the present system of child care without making the financial commitment totally untenable.

Selling the concept of a state-sponsored Model Cities Program is an unenviable task. Hopefully, the return on the investment would outweigh the financial considerations. Figure 16 shows that the IV-A "solar system" could be expanded to include condition blanket eligibility. The state could initiate the development of the system by instituting one or two pilot projects in selected low-income areas, preferably one urban and the other rural. As the projects become better established, Texas can add projects to the system at a rate compatible with its financial priorities and commitments. Implementation of the blanket eligibility design would require considerable state effort—even beyond the monetary factor. Federal reluctance to accept state modifications places an added burden on Texas—in particular, the necessity for developing a statistical base for justifying and substantiating its need to HEW. Fortunately, the construction of an information base would not impose undue hardship upon the existing governmental machinery. Such responsibilities for data gathering could easily be assumed by the Office of Early Childhood Development (OECD) which in fact has already moved in that direction in its commitment to developing an adequate statewide information system.

One additional note of pessimism concerns the permanence of the model. The design will be greatly affected by the recently introduced ceiling on spending for the delivery of social services. While at first look the freezing-in of Texas spending at somewhat below the present level may seem to be most threatening, the situation in reality may be even worse due to more restrictive guidelines for eligibility determination. We have suggested here that the state should react to this new situation by developing at maximum feasible speed comprehensive child-development programs for poverty areas throughout the state. An increase in this area will help the children of the poor and will help the state in at least not cutting back its present investment in human development.

FIGURE 16

TITLE IV-A SOLAR SYSTEM



CHAPTER III

POLICY PERSPECTIVES FOR CHILD DEVELOPMENT*

INTRODUCTION

Compared to the situation a few years ago, and in particular for children of preschool ages, the scope and content of programs for children has improved dramatically. At the same time, we are still far from the time when, in the words of a recent report on child care, "quality child care and developmental opportunities will be the birthright of every American child."[1] We have long proclaimed such a goal for public education. However, many still see child care either as a luxury that the nation cannot afford, or as an intervention in the private familial sphere that contradicts the American style of life. Attitudes will continue to change as they did during the last decade. Increasingly, child-care services will be considered as a desirable *supplement* to family functions and, as such, will be demanded by all segments of the population, not just by the poor and by working mothers. As this demand becomes translated into delivery of services, it will have to compete with other demands on our limited resources. Already, several new legislative approaches aimed at improving services for children are at different stages of congressional deliberation. We shall discuss below some of these programs and their possible impact on child-development services in Texas. While the level of financial support suggested may be far from meeting overall needs, expansion of existing services can be expected. It is important at this stage for the state to prepare to fully participate in new programs as soon as they are enacted. In addition, private funds can be expected to flow at an increased speed into the commercial child-care market, particularly as this developing industry acquires greater proportions. Recent alterations in income tax rules will also have an important effect on this trend.

INTERNAL REVENUE SERVICE RULES ON CHILD CARE

Recent changes in the Internal Revenue Code promise significant changes in the pattern of day-care delivery for middle- and upper-middle-class families. Previously, the code provided for personal income tax deductions of up to $600 annually for day care if the total taxable family income was $6,000 or less. The revisions in the code allow full deductions for day care for an individual or couple with a total taxable income of up to $18,000. The following yearly deductions are allowable for:

One Child	$2,400
Two Children	$3,600
Three or or more children	$4,800

To be deductible, day-care expenses must be related to employment. For those with taxable incomes over $18,000, child-care expenses may be deducted at the rate of fifty cents for every dollar of taxable income over $18,000, to a maximum of $27,600.

Preliminary estimates are that the nationwide revenue loss from these child-care deductions may exceed $300 million for 1972, the first year that they are in effect. There is no estimate of additional tax revenues expected to result from the initiated employment of mothers and from increased family incomes, however this may partly offset the loss.

It is likely that the new schedule of child-care deductions will greatly increase the demand for such services, mainly from middle-income families. Accordingly, the commercial market can be expected to respond to the demand by providing more day home and day-care center spaces for children. This will place additional demand on already overburdened state day-care licensing activities. The federal government, when changing income tax rules, did not provide for increased financial assistance in support of this state function. Unless state funding, manpower, and licensing procedures are altered, the result might be increased child-care demand, increased commercial supply, inefficient state licensing efforts, and a simultaneous decline in the quality of child care.

TEXAS' WELFARE CEILING

Texas has a constitutionally established ceiling for welfare expenditures. The ceiling covers the four categories of welfare programs: OAA, AB, APTD, and AFDC. The ceiling is presently $80 million and requires an amendment to the state constitution for alteration. Within the $80 million ceiling, there are separate appropriations for each program that are made by the state legislature; however, SDPW has authority to transfer funds from one authorization to another so long as the ceiling is upheld. As we previously noted, the present appropriations are:

*The reader is reminded that the discussion in this chapter does not reflect recent legislative changes in the welfare system most of which have imposed new restrictions on both the quantity and quality of social services. It is likely that in the years to come issues discussed in this chapter will find new solutions some of which may be closer to the trends discussed in this chapter than the welfare reform legislation of the Fall of 1972.

OAA	$50 0 million
AB	1.4 million
APTD	5.5 million
AFDC	23.1 million

For State FY 1972, the AFDC program disbursed a total of $41.7 million, taking advantage of SDPW's ability to transfer $32.8 million from the unused portion of the OAA appropriation.

This year the percentage of need paid by state appropriations and federal matching funds totals 100 percent in OAA, 95 percent in both AB and APTD, and 75 percent in AFDC. The lower percentage of budgeted need paid to recipients of AFDC is a result of the spiraling demand in that category versus relatively constant resources. While that demand is projected to substantially increase in State FY 1973, the limitations imposed by the ceiling might necessarily result in the percentage of budgeted need paid to AFDC recipients dropping to 50 percent or less.

SDPW, recognizing that AFDC demand in Texas, even at 75 percent of need paid, would total $49.3 million for next year, has requested in its budget an increase of only $36,000 over the $23.1 million AFDC appropriation. That budget request maintains the $80 million ceiling.

What occurs at present, in effect, is an overselling of OAA to the legislature, with the hope that enough funds may be borrowed from that appropriation to help meet the AFDC demand. As the years progress, however, the funds will be successively less effective in meeting increasing AFDC demand.

Several things must happen in Texas to deal with a crisis that should not be considered a welfare crisis but an AFDC crisis. First, highest priority must be given to an effective public education and information campaign so that the voters may vote to abolish or significantly raise the welfare ceiling. Second, the governor and legislature should devote more political leadership to this task. Third, SDPW must stress the importance of either raising or abolishing the ceiling by submitting two budgets–one for actual welfare needs and a secondary budget for partially meeting those needs within the restrictive $80 million ceiling. Fourth, SDPW should devote great emphasis to an educational and informational campaign with the legislature. Fifth, if the problem of the welfare ceiling is effectively dealt with, appropriate funds should be allocated by the state to pay a full 100 percent of budgeted need to all AFDC families.

ECONOMIC OPPORTUNITY ACT LEGISLATION

The extension of the Economic Opportunity Act (EOA), the keystone legislation in commitment to social action in the sixties, had in mid-1972 passed the House of Representatives nearly tripling the Head Start authorization, from $369 million to $1 billion. The Senate has different intentions in regard to child care. The Comprehensive Head Start, Child Development, and Family Services Act of 1972, co-sponsored by Senators Walter F. Mondale, Gaylord Newson, and Jacob Javits, has been reported by the Committee on Labor and Public Welfare and will easily pass the Senate. There are notable compromise changes in this bill from the Mondale-Brademas Comprehensive Child Development Bill that provoked the December 10, 1971, Nixon veto of the original version of the EOA extension. These changes increase prime sponsorship area size, decrease requested authorization, and strengthen roles of cities and states in program administration.

The future of the Comprehensive Head Start, Child Development, and Family Services Act of 1972 is unclear. Since it will be considered as a bill separate from the EOA extension, unlike the Mondale-Brademas bill, perhaps a lengthy and devisive conference committee can be avoided. However, the bill no longer carries with it the intimidating power of sharing its fate with all other EOA programs, should the President choose to veto. This intimidation would be especially acute, since all EOA authorizations run out on June 30, and these programs are generally quite popular in Congress and with the population as a whole.

The bill at present authorizes $1.2 billion for FY 1974 for a wide range of child-development services, in centers and homes, for children and families. Head Start is to receive $500 million of this total and is destined to administratively merge with the remainder of the program. More conservative than previous proposals, this authorization is part of a detailed effort to answer the Nixon-veto objections to Mondale-Brademas, together with definite and progressive alterations in administration.[3]

The issue of state control in administering programs and funds versus bypassing the state in favor of direct federal-local relationships is at stake in programs authorized by the EOA. In the past Congress has favored the federal-local approach in these programs. However, because of the divisive and inconsistent history of the CAA approach and because state control has often yielded more successful results, the method of administration and funding is by no means unconditionally prescribed. Indeed, the nightmare of 7,000 CAA-type agencies in direct federal-local relationships played no small role in the Nixon veto of the Mondale-Brademas Child Development Bill.

Centralization and coordination of administrative decision-making and control can be handled at the state level, if the state is given the statutory power. Congress seems disposed toward granting such statutory power in order to preclude the administrative nightmare of so many local agencies dealing directly with the federal level which, from its end, would need to directly monitor, evaluate, standardize, and control these local agencies. The major question now is what sized city should the federal-local

approach be considered desirable. This pertains to the question of the size of prime sponsorship areas. The vetoed Mondale-Brademas bill specified that prime sponsors could be as small as 5,000 in population. However, the Comprehensive Head Start, Child Development, and Family Services Act of 1972 provides for prime sponsors that are at least 25,000 in population (more than two-thirds fewer qualified prime sponsorships nationwide than with 5,000 population). Administration under this bill would be streamlined by allowing the prime sponsor (as the mayor, governor, county executive) to be responsible for day-to-day activities and answerable to a Child Development Council only on matters of basic policy, delegate agency selection, and program establishment.

Texas has approximately 1,000 cities with populations under 25,000 and these contain 44 percent of its total population. To receive authority as prime sponsor for these cities would vest significant power at the state level for the design, planning, and administration of this program. If Texas can lobby for acceptance of the 25,000 population level, or indeed, qualify in a demonstration capacity provided for in the bill as sole prime sponsor for the entire state, the state might enhance its role in child development. With the ability and incentive to manage and administer a large-scale program, Texas may vastly expand the quality, quantity, and responsiveness of its child-development services.

MODEL CITIES

The legislative authorization for the Model Cities Program will end on June 30, 1973, leaving considerable doubt as to the future of Model Cities. The possibility of the demise of the program, which is real indeed, has serious consequences for day-care services in Texas. Model Cities is presently the only major federal program which permits matching federal funds with other federal funds. Since legislation stipulates that Model Cities programs be comprehensive, child-development and day-care services of significant size and quantity in Texas Model Cities have developed. In fact, over 60 percent of Title IV-A funds in day-care projects in Texas are initiated by the Model Cities Program. Model Cities is the only source of substantial federal monies for the local share of social services in cities at present.

If Model Cities is not extended, the President's proposed revenue-sharing program might supercede it. Under this arrangement it is likely that child-development programs will suffer. Revenue sharing does not necessarily earmark or designate funds for social services. As a result, whether or not a city provides day care with the new federal funds will depend upon priorities which the city sets for itself. Given the past performances of all but the municipalities most progressive in social services, it is not likely that day care will be one of the first priorities.

THE WELFARE REFORM BILL, H.R. 1

House of Representatives 1, the Administration's Welfare Reform Bill, sponsored by Congressman Wilbur Mills of Arkansas and currently pending in the Senate, will substantially affect the thrust of federal child-related program efforts if passed. Besides federalizing a major portion of the welfare program, and including the working poor in its provisions, H.R. 1 links the provision of child care to parental training.

H.R. 1 is composed of two major programs: the Opportunities for Families Program (FOP) and the Family Assistance Plan (FAP). The difference between the two programs is based upon the employability status of the family head as determined by the Secretary of Labor. Individuals desiring to maintain their welfare assistance must apply through a state or local welfare office to determine their employability status. As a result of this application, each person is assigned to FAP if he is unemployable, or FOP if he is employable.

Under FAP, the individual will receive a predetermined monthly stipend with additional payments for children (similar to the AFDC program). There are no provisions for child care in FAP, except for the children of parents who voluntarily elect to participate in vocational rehabilitation.

Those who qualify for FOP are referred for training, during which they receive federal assistance or are referred for job placement, and may, depending upon the case, receive assistance. If they refuse training or job-placement assistance, they may not receive payments. All women with children ages three or older are considered employable, unless their husbands are engaged in FOP training. Because of this provision, child day care may be provided only in support of training or employment, for a limited period of time.

The H.R. 1 day-care provision in its present form calls for authorization of $750 million for the first year of full operation, including $50 million for constructing facilities. There may be up to 100 percent federal financing for individual center construction and operations. However, several issues remain unclear about day care: (1) what kind of day care will be provided for those in training or employment; (2) how long after employment begins may one continue to use day-care services, either free or through sliding-scale fee payment; and (3) it appears that low-income working people may use FOP day care, but what is the fee system.

The status of some existing child-related programs will be radically altered if H.R. 1 is enacted in its present form. It appears as though WIN will be subsumed under FOP. In addition, the provision of Social Services for past, present, and potential recipients of AFDC, under Title IV-A will end. This will not only deflate the importance of Model Cities supplemental funds, but affect innovative and high-quality programs and projects which were begun by

states and communities across the country, with the liberal matching opportunities and eligibility criteria under Title IV-A.

H.R. 1 will be an extremely expensive program. Since its client population will be similar to those of other child-related programs, there is a distinct possibility that child development under Head Start, a new child-development bill, or other specialized or innovative programs, may become highly vulnerable in Congress in terms of appropriations.

Passage of H.R. 1 presents a double-edged sword to Texas. It offers assistance to thousands of low-income employed persons in the state. It offers assistance with a burdensome welfare expenditure for the state. It deals directly with the welfare problems of Texas' three cities over its 500,000 prime sponsorship size—Houston, Dallas, and San Antonio. Yet, it precludes notable achievements of several community child-development programs financed under Title IV-A. H.R. 1 promises to improve payments to families and increase the number of families receiving payments. However, if WIN day care gives any indication of FOP day care, H.R. 1 holds the danger of decreasing long-term availability of day-care services and the quality of services for children.

A PERSPECTIVE ON STRATEGY

The scope and content of programs for children has improved dramatically over the past few years. Originally designed for the destitute alone, programs are now being proposed with levels of family income that reach beyond traditionally low figures cited by individual states or by the HEW. Sliding-scale fee schedules are reaching toward the middle class. Yet, as family income every year becomes less the sole, unyielding criterion for a child to receive federally-supported care, the balance sways toward factors of employment. (See Table 12.)

TABLE 12

FEDERAL SUPPORT FOR DAY CARE, 1971-73

Outlay in Millions of Dollars.
Children Supported in Thousands

	Outlays			Children Supported		
	1971 actual	1972 est.	1973 est.	1971 actual	1972 est.	1973 est.
AFDC						
WIN Program	26	47	82	98	139	170
Social Services	91	184	226	90	191	226
Income Disregard	68	80	8.	342	385	392
Model Cities	9	14	17	21	26	26
Subtotal, Employment-Related Day Care	194	325	410	551	740	814
Head Start, Full Day	99	105	105	78	81	82
AFDC Nonemployment-Related Day Care	39	79	97	39	82	97
Total	332	509	612	668	903	993

Source. U.S. Department of HEW.

H.R. 1, as its predecessor, WIN, promises to tie all child care to training or to initial employment of parents. In regard to the quality of child care, if WIN is any example, only the barest form of custodial care (1) would meet the

primary goal of supporting parental training or employment, (2) would be consistent with efficiency and effectiveness of the effort to train or to place adults in jobs, and (3) would be possible with the restrictive rigidity of the Federal Interagency Day Care Standards. In short, the apparent trend is toward employment-related child care, and from the lessons of past failure, this outcome is undesirable for the children involved.

Standing alone against this employment-related trend is the child-development legislation under EOA. Head Start and a new child-development bill may provide the saving grace for federally-supported child care of high quality. However, in this instance, Head Start is administered directly from the federal level to the local level. If a new child-development bill becomes law, a sizeable portion of it may be similarly administered.

The policy perspective which may be forced upon states, is that federally-supported child care that they may soon have to administer will be substantially employment related, custodial, and of low quality. Federally-supported child care that will be developmental but not be employment-related, and of high quality may bypass the state.

Regarding other child-care policy perspectives for Texas, certain results may be expected. Unless the state takes rapid action, the effect of the new income tax deductions for child care may end effective licensing and quality control of day-care centers. The problem of the welfare ceiling may evaporate with the inception of H.R. 1. Yet, before that program becomes operational, the ceiling may provide suffering for children of most AFDC families if not dealt with positively.

Texas may choose to address and prepare for new policy perspectives or it may not, but the state is limited in its ability to decide what these perspectives may be. National legislation and programs dictate that the state move where the funds are located. The state may lobby, testify, and express its preferences, but in policy and major funding sources for its activities in welfare, child care, and child development, Texas must prepare to comply with changes decreed by Congress or the Administration.

CHAPTER IV

POLICY ALTERNATIVES FOR TEXAS

INTRODUCTION

At the beginning of this report, HEW Secretary Elliot Richardson's remarks concerning the "confusion, duplication, and waste" of federal child-care programs were indicative of the basic issues confronting Texas in delivering child-development services. The discussion in Chapter II of the protosystem was an attempt to impose rationality on a set of federal programs, but the rational approach is in one sense a fiction. The program links that do exist are more an unconscious byproduct of change than the result of comprehensive planning. From a state perspective, the child-care package of federal programs is like a dismantled erector set with a blank page of assembly instructions, further complicated when additional attachments with no relationship to the existing structure are periodically sent. As Sundquist and Davis contend, "the time has come for the Congress and the executive to take that system[1] seriously—to stop making changes in any part of that system, by law or administrative order, without considering the impact of those changes upon the system as a whole. The federal system is too important to be left to chance."[2]

PROBLEMS IN COORDINATION OF CHILD-CARE PROGRAMS

The federal government is not unaware of the need for comprehensive rather than incremental planning; yet its policy does not always mirror its intent.

Coordination has become a last-ditch effort to bring order out of chaos. The distinction between means and ends has become muddied as structures for coordination receive greater federal emphasis than the actual process. Ironically, in some instances one wonders who will coordinate the coordinators. For example, the director of OEO "is authorized to assist the President in coordinating the anti-poverty efforts of all Federal Agencies."[3] The Secretary of HUD is required "to assist the President in achieving maximum coordination of the various Federal activities which have a major effect upon urban community, suburban, or metropolitan development."[4] By executive order, the HUD Secretary is further requested "to promote cooperation among Federal departments and agencies in achieving consistent policies, practices, and procedures for administration of their programs affecting urban areas."[5] The Secretaries of Labor and HEW are expected "to provide for, and take such steps as may be necessary and appropriate to implement the effective coordination of all programs and activities within the executive branch of the government relating to the training of individuals for the purpose of improving or restoring employability."[6] The Secretary of Commerce is entrusted to "promote the effective coordination of the activities of the Federal government relating to regional economic development."[7] The Secretary of Labor is responsible for designating, at both national and regional levels, chairmen for all manpower-coordinating committees.[8] Given these mandates, one might rightfully be confused, for example, as to what the role of the national Director of OCD would be if he were asked to participate in development of WIN Day-Care policy.

It is ironic that overlapping coordination responsibilities among federal agencies should make coordination more difficult. It is more ironic that the federal government should demand coordination among programs whose very authorizations preclude the possibility of coordination. Economic criteria for eligibility are inconsistent except for Title IV-A. Payments usually function as an eligibility floor. The disbursement of federal funds follows no uniform pattern; state channels are often circumvented. Joint funding of programs is frequently thwarted by such obstacles as inconsistent fiscal years and budgeting procedures. The entire system could hardly be less conducive to coordination if it had been deliberately planned in that manner.

An equally important consideration is whether coordination is desirable as an end in itself. Clearly, the greatest advance in child-development programs was reached by a single program—Head Start—the components of which provide comprehensiveness rather than the kind of coordinated "packaging" of multiple programs that inevitably create gaps and administrative frictions among conflicting agencies. There is no other single comprehensive program, and the state has only minimum influence over the Head Start program. Texas, like other states, is faced with the dilemma of either playing a minor role in developing child-care services or attempting to bring order to a plethora of federal programs that defy coordination. Texas cannot overhaul the existing federal system; it can only adjust to it.

This chapter attempts to provide the state with the means for developing a semblance of cohension for the child-care system. Although coordination is by no means the ultimate solution for child-care problems, it remains the only alternative, and it can prove effective on a state level if properly used. *Texas can expand its opportunities in delivering more effective and efficient child-care services by exercising two options. The first option is concerned with organization and management of programs that the state can influence. The second is concerned with the development of a comprehensive information base to enable future*

planning and experimentation and to facilitate new policy initiatives.

Organization and Management

Coordination of federal programs is hailed as a desirable attribute, but making the adjustments necessary usually meets with significant opposition. The reluctance to coordinate is the result of unwillingness among agencies and various levels of government to allow any infringement upon their traditional spheres of influence. The unwillingness to sacrifice some power in order to improve the overall system of child-care services is the most serious obstacle for developing good coordination. This is especially critical in a state such as Texas, where the Governor's Office is constitutionally designed to be weak. Coordination requires political operations through a multitude of channels and to be effective, it must occur among local, state, and federal agencies and programs. To pull all the diverse elements together requires centralized knowledge and power. Coordination is not likely to occur through *mutual adjustment*[9] as long as it is not in the participants' self interests to give up their own power to achieve it.

Means for *enforcing* coordination, whenever necessary, need to be established if governmental conflicts are to be resolved. A case that emphasizes the need for enforcement powers and for the combination of coordination with control of the financial flow is the Community Coordinated Child Care (4C) program. Its auspicious lack of success in developing effective interagency and interprogram cooperation is directly related to its lack of both financial resources and statutory powers to enforce its request for coordination. Head Start projects, for example, have little incentive to cooperate with local 4Cs, since their programs are basically self-sufficient. 4C can offer little financial inducement nor can it enforce its decisions without statutory authorization. If the state establishes a 4C agency, it should make every effort to equip that agency with the means necessary to carry out its responsibilities. This involves both a financial commitment to ensure 4C's autonomy and a commitment to support 4C's function as the *primary* coordinator of state child-care efforts.

Aside from 4C activities, effective organization and management calls for the maximum utilization of existing coordinative devices. Office of Management and Budget circulars provide the states with tools to implement existing federal mandates. Proper use of circulars can enhance coordination of the state level.

OMB Circular A-95 (see footnote 10)

Circular A-95 is intended to promote and "strengthen state and areawide planning and program coordination."[11] In accordance with Section 204 of the Demonstration Cities and Metropolitan Development Act of 1966, Title IV of the Intergovernmental Cooperation Act of 1968, and Section 102 (2) (c) of the National Environmental Policy Act of 1969, Circular A-95 provides for:

1. Encourage establishment of a network of state, regional, and metropolitan planning and development clearinghouses which will aid in the coordination of federal and federally-assisted social, economic, and physical development projects and programs.
2. Coordination of direct federal development programs and projects with state, regional, and local planning and programs.
3. Preparation and review of statements evaluating the impact of federal and federally-assisted projects which significantly affect the environment.
4. Provision of review and comment by the governor on the relationship of federally-funded state plans to comprehensive and other state plans and programs.
5. Encouraging development of organizational and procedural arrangements for coordinating comprehensive and functional planning activities in multijurisdictional areas.

The circular strengthens the role of the state, and especially the governor, in reviewing the impact of a proposed program prior to its inception. In providing these review powers, the federal government gives to the states some semblance of control over incoming programs. As a coordinative device, A-95 centralizes review responsibilities and facilitates more efficient planning and budgeting procedures. The central component of A-95 is the Project Notification and Review System (PNRS). Using PNRS, a state might rectify potential program conflicts prior to a new project's implementation; consequently, PNRS enables a state to develop the means for a comprehensive plan of action. A-95 is a first step toward ensuring a comprehensive approach to planning the delivery of services, including child-care services. By providing checkoff responsibilities to the state, the likelihood that grant applications will become another element in the "random outcome of piecemeal legislative processes"[12] is significantly diminished.

In research conducted in 1970, the Advisory Commission on Intergovernmental Relations concluded that the states have failed to utilize the A-95 circular to its fullest potential.[13] The present status of compliance with A-95 in Texas supports this conclusion. The Governor of Texas has delegated A-95 review power over programs with regional impact to regional councils of governments (COGs) throughout the state. Although localizing control is generally a desirable goal, the COGs–due to lack of proper funding and necessary expertise–are presently inadequate vehicles for developing comprehensive planning for social services and child care. Of the twenty HEW programs covered under A-95 and reviewed by the COGs, eighteen of

them are designed for construction of facilities and there is none for early childhood development. If A-95 is to be of use for coordinating federal child-care programs, the HEW—at national or regional level—must expand the scope of programs currently reviewed under the provisions of that circular. The Regional Office of HEW has prepared an expanded list of programs that could be covered under A-95 which includes major child-development authorizations.[14] Unless such programs are expanded and COGs in Texas are properly funded and staffed, A-95 will remain an ineffective tool for state development of comprehensive child-care programs.

OMB Circular A-98

As a corollary to A-95, OMB circular A-98 was established in 1970 to provide state elected officials with information on grants already made by federal departments. In accordance with Section 201 of the Intergovernmental Cooperation Act of 1968, A-98 establishes standard reporting procedures regarding currently operating programs within the state. As one of the objectives cited in the circular, the combined deployment of A-95 and A-98 "permits the State to not only know what grants have actually been made (A-98), but to anticipate grants that may be made (A-95), giving additional perspectives for State Planning, Programming, and Budgeting."[15] Under A-98, 124 HEW programs, including the majority of child-related programs, reported information to the state in FY 1972. In conjunction with A-95 (if expanded to include information on child-care programs), A-98 would present a composite picture of program trends. This is a necessary input for developing a comprehensive child-care policy at the state level. Once Texas institutes a computerized information-system tracking grants from application (A-95) through funding stages (A-98), it will possess the capacity to generate the information needed to make intelligent choices in allocating and implementing child-development services.

OMB Circular A-102 (see footnote 16)

One of the most powerful instruments a state has at its disposal for enhancing coordination is OMB Circular A-102. While A-95 and A-98 circulars attempt to centralize information, A-102 funnels responsibilities to the states' elected officials to enhance coordination and produce more effective management of programs. The circular provides for a more efficient transfer of grant-in-aid funds to states and precludes the need for maintaining separate bank accounts for federal programs. But, most important, A-102 permits waiver of the single state agency requirement for all federal programs. In implementing the waiver of single state agency requirements, Circular A-102 is carrying out the authorization of Section 204 of the Intergovernmental Cooperation Act of 1968, which explicitly permits governors to escape those restrictions. Section 204 states:

> Notwithstanding any other Federal law which provides that a single State agency or multimember board or commission must be established or designated to administer or supervise the administration of any grant-in-aid program, the head of any Federal department or agency administering such program may, upon request of the Governor or other appropriate executive or legislative authority of the State responsible for determining or revising the organizational structure of State government, waive the single State agency or multimember board or commission provision upon adequate showing that such provision prevents the establishment of the most effective and efficient organizational arrangements within the State government and approve other State administrative structure or arrangements Provided, That the head of the Federal department or agency determines that the objectives of the Federal statute authorizing the grant-in-aid program will not be endangered by the use of such other State structure or arrangements.[17]

The full impact of Section 204 is best evidenced in the wording of A-102. Section 6 of that circular clearly indicates the wide discretion of power a governor has at his disposal:

> Implementation of section 204 Section 204 permits a waiver of present statutory requirements that a single State agency or multimember board or commission must administer or supervise any grant-in-aid program (1) upon request of the Governor, or other appropriate State executive or legislative authority, and (2) upon adequate showing that the requirement prevents establishment of the most effective and efficient organizational arrangements within the State government. The head of the Federal department or agency concerned, or his duly designated delegate, must determine that the objectives of the grant-in-aid program will not be endangered by the use of other State organizational arrangements. Requests to Federal agencies from the Governors or other duly constituted State authorities for waiver of the "single" State agency requirement should be given expeditious handling and, wherever possible, an affirmative response should be made to such requests. In the event that it is deemed necessary to refuse a request for waiver of the "single" State agency requirement under section 204, the Federal agency handling such request will communicate with the Bureau of the Budget prior to advising the State that the

request cannot be granted. Such advice should indicate the reasons for the denial of the request.

Circular A-102 has multiple implications regarding program administration. It offers the governor the advantages of centralizing program and financial control while placing the burden of responsibility where it belongs—on the state's elected officials. Autonomous agencies and commissions might be subject to central oversight.

On the other hand, zealous overworking of A-102 could easily open a Pandora's box of administrative headaches for the state. The circular should be seen as a tool for enhancing the present structure, not destroying it.

In the past, there has been cause for alarm regarding the autonomy of single state agencies, and in particular SDPW. Previously, recommendations were made regarding reorganization of the social service system. The preponderance of reorganization plans has proven to be little solution and even more confusing. The flaws in recommendations for a "super agency" to serve as an umbrella organization over various state departments outweigh their merits. Establishment of a "super agency" theoretically allows the governor and legislature greater control over state programs. It would centralize both information and power, and likely produce greater efficiency in program administration. In reality, however, most comparable efforts in other states have failed to cut through the organization maze and the "super agency" only adds another layer to the existing multilayered system. The consequences are high administrative costs, increased program inflexibility, further confusion, and even less coordination.

Other past recommendations have focused on massive overhaul of existing structures, primarily with the intent of inflicting punitive measures upon SDPW. Rendering the "welfare gargantua" helpless, however, is hardly a feasible solution. Jule Sugarman, director of New York City's Human Resources Administration, cites the inherent dangers in reorganization. Sugarman strongly emphasizes the need for utilizing existing vehicles to administer programs or to face the potentiality of creating structures incapable of delivering the goods. Despite enormous structural inadequacies, Texas' solution does not lie in dismantling existing machinery.

When used appropriately, A-102 permits revisions without imparting irreparable damage to the present framework. As the giant among Texas' social services agencies, SDPW is itself complex and has complex operations. No other agency has the manpower or expertise to adequately assume all of its responsibilities. It would be folly, for example, to implement A-102 with the intent of weakening the welfare department. The circular should rather be used to supplement SDPW activities and to provide assistance in areas where the agency is overburdened and underequipped to function effectively. For example, a delegated agency with the necessary expertise could assume responsibility for providing technical assistance through the advocacy, contracting, and processing stages to generate IV-A projects in the smaller communities that SDPW has little time and resources to assist. Through the implementation of A-102, the delegated agency would not be infringing upon existing SDPW activities, but would be filling the gaps in its present service operations.

RESEARCH AND DEVELOPMENT

The second major option for the state is to take full advantage of the tools of research and development to enhance coordination and improve the delivery of child-development programs. A major goal of Texas should be to increase its present level of expertise in program planning and administration. The state can accomplish that objective in three ways:

1. Through personnel transfers as specified in OMB Circular A-97;
2. Through increased use of demonstration projects and methods of experimentation to measure program impact and to provide the means for policy adjustment; and,
3. Through development of a comprehensive information base to secure necessary data for rational policy decisions.

Each of these processes is dependent upon the other and, therefore, strongly reinforces the need for a comprehensive effort in this area.

Personnel Transfers

If the state is to improve in delivering social services, some knowledge will have to be acquired from outside sources. In accordance with Title III of the Intergovernmental Cooperation Act of 1968, OMB Circular A-97 assists states in obtaining outside aid, specifically to:

1. Encourage intergovernmental cooperation in the conduct of specialized or technical services and provisions of facilities essential to the administration of state or local governmental activities;
2. Enable state and local governments to avoid unnecessary duplication to special service functions;
3. Authorize federal agencies which do not have such authority to provide reimbursable specialized and technical services to state and local governments.[18]

Since the provision of federal assistance is not limited to state activities, other levels of government, including local and multijurisdictional entities, should participate in these operations as well. By utilizing an individual familiar with (productive) federal channels, state and local governments can acquire expertise for future planning and simultaneously derive immediate benefits of improved federal

relationships. A-97 can prove particularly valuable in providing specialized and technical services. In the case of developing a statewide information base, for example, the assistance of a federal employee would ensure that the procedures and types of data collected were compatible with federal program specifications.

Demonstration and Experimentation

Chapter II focused on the need for developing a "State Model Cities Program" through Title IV-A blanket eligibility. The need for such a program was evidenced in the general inability of most local communities to generate the necessary resources to initiate their own projects. On another level, a new Model Cities type program can provide information for future planning and policy formulation. Demonstration projects such as these perform a dual role. They provide services and are, at the same time, self-correcting. Pilot projects are the testing groups for innovative policy; they test new hypotheses in child development. The most serious gap in social policy continues to center around inadequate evaluation of whether a program is accomplishing what it should in the most effective and efficient manner possible. Demonstration projects can be designed with built in controls for continual observation and monitoring that facilitate program evaluation. Without frequent program experimentation and assessment, and the means to gauge program impact, a state has little opportunity for effecting changes in its policy decisions.

Information Base

Throughout this report, the need for a comprehensive, centralized information base for services to and needs of Texas children has been voiced. In the final analysis, almost all efforts for coordination hinge on the essential ingredient, information. Demographic data is essential for federal acceptance of state plan modifications. The acquisition of program information through circulars A-95 and A-98 is essential for state planning and policy formulation. The research and development findings of demonstration programs are equally crucial as input to the planning process. Producing information on child-development training resources is a crucial element for gauging the extent of child-development personnel needs. Projecting these needs over a period of time requires coordination of all these sources of data.

Information is increasingly important in program development. A state has a substantial advantage, for example, as its demographic data becomes more sophisticated. Garnering federal program funds requires substantiation of need. The federal government's decisions are based on cold, objective figures. Information, however, provides greater service than merely the acquisition of federal monies. The transfer of federal personnel, for example, is basically an integral function for improvement and expansion of the criteria on which policy decisions are made. A state cannot hope to meet the needs of its children if it cannot identify those needs. A state cannot manage its programs effectively if it cannot identify the tools necessary for sound management. The present state of child-development policy is characterized by a diffusion of information. The need to centralize the data and develop an information system perhaps should be Texas' top priority in the child-development area. The information, or at least the means of obtaining it, is available. The next step is to develop a central depository.[19]

Alfred Kahn, as noted earlier, views this time as "a period of planning and experimentation." It is also the period for assuming responsibility. The state can utilize the means available to improve the child-care situation and there is little doubt that Texas is willing. "Grasping at the opportunity" requires that the willingness now be translated into action.

CONCLUSION

The year-long effort of the Lyndon B. Johnson School seminar on child-development policy, which is summarized in this report, was directed primarily toward the policy, financial, and administrative aspects of programs designed to serve Texas children during their most formative years Technical questions related to program characteristics, funding flows, and inter-program connections needed considerable attention and provided us with a basis for our policy analysis and recommendations.

MAJOR SOURCES OF CURRENT PROBLEMS

Our findings suggest that many of the problems from which the major child-development programs are currently suffering result from poor planning and inadequate administrative procedures at both the federal and the state levels of government. Another group of problems can be traced to a lack of initiative in seizing available options for developing comprehensive services addressed to the different needs of children. It is possible, of course, that poor procedures and lack of innovation are rooted in turn in more fundamental difficulties which have to do with prevailing negative attitudes concerning the need of improved and expanded child services. Our report does not examine this issue, but concentrates on the analysis of the more tangible problems of inter-program ties and innovative procedures designed to improve service delivery.

The State Level

In Texas there are at least five major state agencies with extensive programmatic involvement with children. Each of these agencies has divided the state into different administrative regions. Local representatives for each region rarely meet with their counterparts from other agencies. Programs and problems are approached with an exclusive agency perspective. Little thought is given to program and service coordination and interagency cooperation. This is true both at the local level where services are rendered and at the state level where programs are planned and evaluated.

The Federal Level

The situation is no better, perhaps worse, at the federal level. Too many agencies are involved in running too large a number of different programs, many of them not large enough to have a decisive impact. Departments, even parts of departments, are unwilling or incapable of coordinating design, oversight, and funding of child-related programs. The difficulty is compounded by an almost unbelievable lack of information on the part of federal administrators about the real conditions at the local service level. Lessons to be learned from previous failures seem to have no impact. Never has the federal government issued a clear statement defining its policy intent with respect to the care, development, and quality of life of children. While the imaginative utilization of Title IV-A funds on the part of some states and cities provided a first opportunity to offer comprehensive services to an increasing number of American children, federal policy has made impossible the expansion of Title IV-A budgets and activities.

A BASIC ASSUMPTION

A basic assumption underlying our work can be stated as follows: existing programs and services, authorized and funded by Congress, can be improved by action of the executive branches of government. Ultimately, new legislation will be needed to firmly establish a comprehensive national effort for young children. However, much progress in this direction can be made in the meantime *on the basis of existing legislation*. By rethinking rules and regulations, by aggressively making use of federal funding opportunities and committing the required state matching funds, by consistently developing administrative mechanisms for bringing together services intended for the same client population, and by interfacing child-care and child-development programs with social services provided for other age groups and functional needs—considerable headway can be made toward the development of integrated services that meet the several needs of young children.

THE REAL NEEDS OF CHILDREN

We referred above to persisting negative attitudes about the need and desirability of services to children beyond and above the service and care they traditionally receive in their families, and later in school. We want to address a final comment to the great need to educate the American people about the real needs of children. Unless the population at large understands what is at stake no lasting improvement can be expected. We have to explain, imaginatively and over and over again, that society pays an exorbitant price, economically and in human terms, for poor child care that does not meet the children's needs. Children raised in unsafe and substandard housing, on inadequate diets, with improper medical care, without opportunities for growing with their peers in an emotionally and intellectually stimulating environment, without a chance for reaching their full potential, by necessity become social liabilities for whom medical, educational, and social "rehabilitation"—if it is possible at all—is extremely costly. In addition, they represent priceless human potential that is wasted and individual lives that are thwarted. Children must be looked upon in these two ways: as human beings with a full range of

human needs, and as a special group of people whose special needs have to be met while they are inarticulate and powerless. Afterall it is people, at all stages of life, who must be seen as the focus of our social services policy.

FOOTNOTES IN INTRODUCTION AND SUMMARY

[1]Alfred J. Kahn, *Public Social Services: The Next Phase. Policy and Delivery Strategies.* Address presented to the American Public Welfare Association, December 9, 1971, p. 33.

[2]*Ibid.*

[3]Family Assistance Plan, August 11, 1969. In: *The New Federalism: Addresses and Statements,* Office of the President, p. 26.

[4]U.S., Congress, Senate Document 92-48, *Veto Message-Economic Opportunity Amendments of 1971, Message from the President of the United States . . .*, 92d Congress, 1st. Session., 10 December 1971, pp. 4-6.

[5]*Journal of the Association for Childhood Education International,* November 1971.

[6]See Mary Dublin Keyserling, *Windows on Day Care,* National Council of Jewish Women, 1972.

[7]See *Poverty in Texas,* Texas Office of Economic Opportunity, 1972.

[8]Mrs. Randolph Guggenheimer, "Public Welfare's Role in Day Care for Children," *Children,* Vol. 9, No. 3, May-June 1962, p. 112.

William L. Pierce, "Day Care in the 1970s: Planning for Expansion," *Child Welfare,* Vol. L, No. 3, March 1971, p. 16.

[9]Public Welfare Amendments of 1962, Hearings before the Committee on Ways and Means on HR 10032, Feb. 7, 9, and 13, 1962, pp. 186-187. *Day Care. Resources for Decisions,* Office of Economic Opportunity, OEO Pamphlet 6106-1, June 1971.

[10]Sar A. Levitan, *The Great Society's Poor Law.* Baltimore: The Johns Hopkins Press, 1969, p. 135.

[11]Richardson statement, September 22, 1972.

[12]Unpublished document, NAS, David Nesenholtz, Summer 1971.

[13]Joint Hearings CCDA of 1971, p. 165.

FOOTNOTES FOR CHAPTER I

[1]*Head Start Policy Manual,* Office of Child Development, Department of Health, Education and Welfare, p. 8.

[2]*Poverty in Texas,* 1972, Texas Office of Economic Opportunity, Chapter VII.

FOOTNOTES FOR CHAPTER II

[1]*Day Care Nightmare,* Institute of Urban and Regional Development, University of California at Berkeley, Working Paper No. 145, February 1971, p. 69.

[2]See Irving Lazar, "Delivery System," in Edith H. Grotberg (Ed.) *Day Care: Resources for Decisions,* Office of Economic Opportunity, Office of Planning, Research, and Evaluation, PRE/R, OEO Pamphlet 6106-1, June 1971, pp. 423-433.

FOOTNOTES FOR CHAPTER III

[1]Mary Dublin Keyserling, *Windows on Day Care,* National Council of Jewish Women, 1972, p. 1.

[2]A more detailed note on the tax treatment of child care is given in attachment A.

[3]See "Comprehensive Head Start, Child Development, and Family Services Act of 1972," 92d Congress, 2d Session, Senate, Report No. 92-793, May 16, 1972.

FOOTNOTES FOR CHAPTER IV

[1]Sundquist and Davis *(Making Federalism Work,* Brookings, Washington D.C., 1969) define the federal system as "an intricate web of institutional relationships among levels of governments, jurisdictions, agencies, and programs."

[2]Sundquist and Davis, *Making Federalism Work,* p. 31.

[3]Economic Opportunity Act of 1964, Section 2.

[4]Department of Housing and Urban Development Act (1965), Sec. 2.

[5]Executive Order 11297, August 11, 1966, Sec. 1.

[6]Economic Opportunity Act of 1964 (as amended in 1967), Section 637 (a).

[7]Executive Order 11386, December 28, 1967.

[8]Executive Order 11422, August 15, 1968, Sec. 2(c). All of the above citations may be found elaborated in Sundquist's *Making Federalism Work*, pp. 21-23.

[9]Charles E. Lindblom, *The Intelligence of Democracy*. Free Press, 1965.

[10]For the text of OMB Circular A-95 see Attachment B.

[11]Advisory Commission on Intergovernmental Relations, 1970 Annual Report, p. 5.

[12]Sundquist, *op. cit.*, p. 31.

[13]ACIR Annual Report 1970, p. 5.

[14]OMB Circular A-95 Attachment B, proposed coverage of plans/programs under A-95, Department of HEW, May 3, 1971.

[15]OMB Circular A-98, What it is . . . How it works, August 2, 1971.

[16]For the text of OMB Circular A-102 see Attachment C.

[17]Section 204, Intergovernmental Cooperation Act of 1968 (P.L. 90-577; 82 Stat. 1102).

[18]For the text of OMB Circular A-97 see Attachment D.

[19]The research project developed a design of a state-wide information system for the Office of Early Childhood Development, Department of Community Affairs, State of Texas. This note is reprinted as Attachment E.

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ATTACHMENT A

TAX RULES FOR CHILD CARE AND CHILD DEVELOPMENT EXPENDITURES

The Internal Revenue Code of 1954

The Internal Revenue Code of 1954, as amended contains various provisions relating explicitly and implicitly to the care and development of children. These provisions, while neither establishing nor reflecting *concern* for children or *intent* to maintain or improve children's conditions, affect the condition of children. Income tax deductions are granted for individuals who have child dependents, and for corporations that include day care as an employee service. Tax exemptions are granted to religious-affiliated organizations, instrumentalities of the Government, and nonprofit institutions which provide day care and welfare services for children. In addition, individuals in some circumstances can claim their expenses for day care as an itemized deduction on personal income.

The dependent deduction for personal exemption, as authorized in Section 151 of the Code, is a common benefit extended to all taxpayers with dependents. The allowance for such deductions is for $650 for children under 19 years of age (and longer for students). Section 801(c)(1) of Public Law 91-172 amends the Code to provide for increases in these deductions to $700 for taxable year 1972, and Section 801(d)(1) authorizes $750 for taxable year 1973 and beyond.

The day care that businesses provide for employees can be affected by provisions in the Internal Revenue Code. Sections 162 and 170 authorize deductions from gross taxable business income of contributions or expenses related to day care.

Section 162 provides for the deduction of "all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business . . ." As such, corporations may deduct the full amount of day care defined as a business expense. However, the Internal Revenue Service must ascertain that contributions to the operation of day care facilities are made for business purposes, with the intention to derive a business benefit, rather than for charitable reasons.

Section 170 provides for the deduction of charitable contributions, in cash or in kind, to recognized and tax-exempt nonprofit organizations. This deduction is limited to five percent of a corporation's taxable income or 20 percent (or 30 percent in some instances) of an individual taxpayer's adjusted gross income. Business can thus contract with or establish a nonprofit corporation to provide day care. However, the Internal Revenue Service requires that in regard to this Section, the services provided by the nonprofit organization must be exclusively for public purposes.

Day care for dependent children can be claimed as an income tax deduction by individuals in certain circumstances. Expenses paid during the taxable year by a taxpayer who is a woman or widower, or is a husband whose wife is incapacitated, institutionalized, or employed, for the care of one or more dependents is deductible. In order to qualify for a tax deduction the care must be employment-related.

The dollar limitation of the deduction shall not exceed $2,400 for one child, $3,600 for two children, or $4,800 for three or more children, per year.

One hundred percent of child care expenses (according to the above limitations) are deductible up to a total of $18,000 in taxable yearly income. From $18,000 to $27,600 in taxable income, deduction may be made at the rate of $.50 of care for every dollar of income.

Under Section 501 of the Code, exemption from tax is extended to various nonprofit corporations, trusts, institutions, and organizations. Included among the broad range of those specified as exempt from taxation are corporations and instrumentalities organized under Act of Congress; corporations, community chests, funds, or foundations organized and operated exclusively for religious, charitable, or educational purposes; civic leagues or organizations operated for the promotion of social welfare; labor organizations; and voluntary employees' beneficiary associations. Regarding children, organizations and institutions which promote child welfare services, contribute to child care, educate the public in regard to children's needs, and operate services for children and families, may be covered by this exemption from taxation.

ATTACHMENT B

OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

February 9, 1971 CIRCULAR NO. A-95
Revised

To The Heads Of Executive Departments And Establishments

Subject: Evaluation, Review, And Coordination Of Federal And Federally Assisted Programs And Projects

1. *Purpose.* This Circular furnishes guidance to Federal agencies for added cooperation with State and local governments in the evaluation, review, and coordination of Federal assistance programs and projects. The Circular promulgates regulations (Attachment A*) which provide, in part, for:

a. Encouraging the establishment of a project notification and review system to facilitate coordinated planning on an intergovernmental basis for certain Federal assistance programs in furtherance of section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 and Title IV of the Intergovernmental Cooperation Act of 1968 (Attachment B).

b. Coordination of direct Federal development programs and projects with State, regional, and local planning and programs pursuant to Title IV of the Intergovernmental Cooperation Act of 1968.

c. Securing the comments and views of State and local agencies which are authorized to develop and enforce environmental standards on certain Federal or federally assisted projects affecting the environment pursuant to section 102(2) (C) of the National Environmental Policy Act of 1969 (Attachment C) and regulations of the Council on Environmental Quality.

This Circular supersedes Circular No. A-95, dated July 24, 1969, as amended by Transmittal Memorandum No. 1, dated December 27, 1969. It will become effective April 1, 1971.

2. *Basis.* This Circular has been prepared pursuant to:

a. Section 401(a) of the Intergovernmental Cooperation Act of 1968 which provides, in part, that:

> The President shall . . establish rules and regulations governing the formulation, evaluation, and review of Federal programs and projects having a significant impact on area and community development . . .

and the President's Memorandum of November 8, 1968, to the Director of the Bureau of the Budget ("Federal Register," Vol. 33, No. 221, November 13, 1968) which provides:

> By virtue of the authority vested in me by section 301 of title 3 of the United States Code and section 401(a) of the Intergovernmental Cooperation Act of 1968 (Public Law 90-577), I hereby delegate to you the authority vested in the President to establish the rules and regulations provided for in that section governing the formulation, evaluation, and review of Federal programs and projects having a significant impact on area and community development, including programs providing Federal assistance to the States and localities, to the end that they shall most effectively serve these basic objectives.
>
> In addition, I expect the Bureau of the Budget to generally coordinate the actions of the departments and agencies in exercising the new authorizations provided by the Intergovernmental Cooperation Act, with the objective of consistent and uniform action by the Federal Government.

Title IV, section 403, of the Intergovernmental Cooperation Act of 1968 which provides that:

> The Bureau of the Budget, or such other agency as may be designated by the President, shall prescribe such rules and regulations as are deemed appropriate for the effective administration of this Title.

c. Section 204 (c) of the Demonstration Cities and Metropolitan Development Act of 1966 which provides that:

> The Bureau of the Budget, or such other agency as may be designated by the President, shall prescribe such rules and regulations as are deemed appropriate for the effective administration of this section, and

d. Reorganization Plan No. 2 of 1970 and Executive Order No. 11541 of July 1, 1970, which vest all functions of the Bureau of the Budget or the Director of the Bureau of the Budget in the Director of the Office of Management and Budget.

*Note to reader: Attachments referred to within this Circular are not appended here. They do not correspond to the Attachment designations following this Report and are not in reference to them.

3. *Coverage.* The regulations promulgated by this Circular (Attachment A) will have applicability to:

a. Under Part I, all projects (or significant changes thereto) for which Federal assistance is being sought under the programs listed in Attachment D. Limitations and provision for exceptions are noted therein.

b. Under Part II, all direct Federal development activities, including the acquisition, use, and disposal of Federal real property.

c. Under Part III, all Federal programs requiring, by statute or administrative regulation, a State plan as a condition of assistance.

d. Under Part IV, all Federal programs providing assistance to State, local, and regional projects and activities that are planned on a multijurisdictional basis.

4. *Inquiries.* Inquiries concerning this Circular may be addressed to the Office of Management and Budget, Washington, D.C. 20503, telephone (202) 395-3031 (Government dial code 103-3031).

GEORGE P. SCHULTZ
Director

Attachments

OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OMB Circular No. A-95 (Revised)
What It Is–How It Works

Revised Circular No. A-95, in addition to implementing (in part) Title IV of the Intergovernmental Cooperation Act of 1968 and Section 204 of the Demonstration Cities and Metropolitan Development Act of 1966, assists in the implementation of Section 102(2)(C) of the National Environmental Policy of 1969.

-- Title IV, among other things, directs the President to "establish rules and regulations governing the formulation, evaluation and review of Federal programs and projects having a significant impact on area and community development." The basic objectives of this mandate center about the importance of sound and orderly development of urban and rural areas on the economic and social development of the Nation. Section 401(b) of the Act requires that "all viewpoints–national, State, regional, and local–shall, to the extent possible, be taken into account in planning Federal or federally assisted development programs and projects." Section 401(c) states, moreover, that "to the maximum extent possible, consistent with national objectives, all Federal aid for development purposes shall be consistent with and further the objectives of State, regional and local planning."

-- Section 204 of the Demonstration Cities and Metropolitan Development Act of 1966, requires that applications for Federal assistance to a wide variety of public facilities type projects (highways, hospitals, etc.), in metropolitan areas must be accompanied by the comments of an areawide comprehensive planning agency as to the relationship of the proposed project to the planned development of the area.

-- Section 102(2)(C) requires that Federal agencies prepare statements evaluating the impact of any actions they may take that significantly affect the environment. Such statements are submitted to the Council on Environmental Quality. Provision is made for inputs to these "environmental impact statements" by State and local governmental environmental quality agencies.

The following paragraphs are aimed at clarifying the Regulations promulgated by Circular No. A-95.

Part I: Project Notification And Review System

The Project Notification and Review System (PNRS) may be thought of as an "early warning system" to facilitate coordination of State, regional, and local planning and development assisted under various Federal programs. Coordination is sought through review of applications for Federal assistance by State and metropolitan or regional clearinghouses. There are State clearinghouses in all fifty states (as well as in the District of Columbia and Puerto Rico). A network of over 350 metropolitan and regional (nonmetropolitan) clearinghouses covers nearly one-half of the Nation's counties which comprise approximately 85 percent of the population.

The "Early Warning System" - Project Notifications. Under earlier regulations implementing section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 the normal course of action for a State or local agency applying for Federal assistance was to prepare the application and submit it to the reviewing agency which had 60 days in which to file comments. However, this approach not only added 60 days to the time necessary for applying for aid, it often did not permit sufficient opportunity for effective coordination or constructive change in the application pursuant to the review. In some metropolitan areas, the areawide reviewing agency was able to persuade the applicant to consult with it prior to com-

pletion of the application. Early consultation permitted the review agency to assist the applicant in developing the project so as to avoid conflict with plans and programs of other jurisdictions.

It is this early consultation approach that the project notification approach seeks to encourage.

A potential applicant (State or local agency, or other) for assistance under a program covered by Part I is required, when he has decided to apply for a grant, to notify both the State *and*, as appropriate, the regional (nonmetropolitan) *or* metropolitan clearinghouse of his intent to do so. The notification is to include a brief summary description of the proposed project. The clearinghouses have 30 days in which to indicate their interest and to arrange for consultation on the project. If the clearinghouses notify the applicant that they have no interest in or problems with the proposed project, the applicant has fulfilled his obligation and need consult no further with them before completing and submitting the application to the Federal agency, unless the clearinghouse indicates an interest in reviewing the completed application.

If a clearinghouse indicates during the initial 30-day period a wish to confer with the applicant, conferences are arranged. During this period and subsequently, the applicant will be preparing his application. If conferences with the clearinghouse surface issues or conflicts over the proposed project, the clearinghouse may assist in the resolution of such problems. At any time problems are resolved, the clearinghouse may "sign off", concluding the review.

Thus, with the advice and assistance of the clearinghouses, by the time the application is completed either (1) all issues (if any) will have been resolved or (2) any remaining issues will be clearly identified. If necessary, a clearinghouse may have an additional 30 days in which to file comments to accompany the application.

(Note: The PNRS under the revised Circular no longer distinguishes between programs covered pursuant to Section 204 of the Demonstration Cities and Metropolitan Development Act 1966 and those added pursuant to Title IV of the Intergovernmental Cooperation Act of 1968. All clearinghouses have 30 days to consider a project description–i.e., the "project notification"–and, if necessary, 30 days to consider the completed application (or a more complete description), prior to its submission to the Federal agency. This is true of all applications whether or not in a metropolitan area).

Notification: Form And Content. The amount and detail of information provided at the project notification stage will–because of the great diversity of programs covered–tend to be highly variable. For some projects, the application may be developed quickly and easily. In such cases, the application itself may serve as the notification.

In such cases, of course, the clearinghouse will want to expedite review as much as possible so as not to unnecessarily slow up the application process. For other types of projects, many months may be required to develop the application, and it may be that the information that can be provided at the notification stage may be quite sparse and sketchy. The important thing, however, is that the clearinghouse is put on notice. If information is inadequate, it can be fed in as it becomes available, but the clearinghouse may serve the applicant best if it is informed at the earliest stage. This permits the clearinghouse to steer the applicant away from conflicts or towards opportunity as he develops the specifics of the project for which he is seeking Federal aid.

For some programs, Federal agencies have developed what are, in effect, pre-application forms that can also serve quite effectively as project notifications. Standard Form 101 for water, sewer, and waste disposal assistance from HUD, USDA/FHA, FWQA and EDA is an example, as is OEO Form 46 for community action projects and activities. Inasmuch as a number of clearinghouses have developed their own forms, OMB has told Federal agencies that Federal forms are to be considered optional as project notification forms. However, where these have to be filled out anyway by the applicant, a double burden is put on him. Where this is the case, clearinghouses should consider the effects of this added effort on the applicant. What is important about the notification is the information that it carries, not the form on which it is written.

While the primary purpose of the PNRS is to coordinate Federally supported programs with State, areawide, and local plans and programs, it should be remembered that the purpose of the Federal programs is to help the applicant in the solution of a problem. Therefore, the PNRS emphasis should be *on helping the applicant* to develop the best possible project to achieve his objectives in a manner that will not do violence to the plans and programs of other jurisdictions and agencies.

Clearinghouse Functions. There are three types of clearinghouses:

(1) *State clearinghouse*, a State agency with comprehensive planning capacity, designated by the Governor.

(2) *Regional clearinghouse*, a nonmetropolitan areawide agency with general planning capability, designated by the Governor.

(3) *Metropolitan clearinghouse*, a metropolitan areawide agency recognized as such by the Office of Management and Budget for the purposes of section 204 of the Demonstration Cities and Metropolitan Development Act of 1966.

The term, "clearinghouse" is meant to fully reflect the functions of these agencies:

-- to identify the relationship of any project to Statewide or areawide comprehensive plans,

-- to identify the relationship of any project to the plans or programs of particular State agencies or local governments.

While clearinghouses are expected to have comprehensive planning capabilities or direct access to such capabilities in order to identify the compatibility of proposed projects to Statewide or areawide plans, the "clearinghouse" aspect is equally important. It can well happen that a project which is not inconsistent with State or areawide comprehensive planning may be in conflict with the plans or programs of a particular State or local agency.

Thus, when an applicant sends notification to the State clearinghouse, the clearinghouse will not only examine the project from the standpoint of State comprehensive planning but will forward a copy of the notification to any State agencies having plans or programs that might be affected to ascertain their interest in participating in any follow-up conferences with the applicant. The regional or metropolitan clearinghouse to which the applicant also sends the notification will, similarly, contact specific local governments and agencies which might be affected.

For example, community action or model cities agencies should receive notifications of projects which could have an impact on the poor; or agencies responsible for environmental quality should receive notifications of projects having an anticipated environmental impact.

It should be noted that when comments of these other parties are submitted through clearinghouses, the clearinghouses must transmit those comments to the applicant, and they too must accompany the application.

Relationships established with State and local agencies—including quasi-governmental and private agencies—through conscientious application of the "clearinghouse" aspect of the PNRS can enhance the status of the individual clearinghouse as a focal point for planning coordination. In addition the expert inputs of these agencies to the review process represent a useful supplement to the clearinghouse's own review resources and capabilities.

Applications From Special Purpose Units Of Government. One important aspect of local government liaison function of the regional and metropolitan clearinghouses is the implementation of section 402 of the Intergovernmental Cooperation Act, which provides that:

> Where Federal law provides that both special-purpose units of local government and units of general local government are eligible to receive loans or grants-in-aid, heads of Federal departments and agencies shall, in the absence of substantial reasons t the contrary, make such loans or grants-in-aid to units of general local government rather than to special-purpose units of local government

Thus, when an application is to come from a special-purpose unit of government, it is a clearinghouse responsibility to assure that the Federal agency is informed as to the intentions of the general-purpose units within which the project is located so that it can act in compliance with section 402.

Inter-Clearinghouse Relationships.

1. *State/Metropolitan*: While State and Metropolitan clearinghouses may conduct reviews quite independently of each other, it is desirable that they establish cooperative arrangements for coordinating their reviews. A well coordinated State-metropolitan (or regional) review system will provide much better service to the applicant. It can reduce duplication of effort by clearinghouses as well as time spent by the applicant in conference and consultation. While it is possible that State and metropolitan clearinghouses may disagree over the merits of a project, a coordinated review is likely to produce a more consistent and thoroughgoing project evaluation.

2. *Metropolitan/Regional*: In some States a rather more complex situation has risen which requires even closer coordination. Some Governors have designated regional clearinghouses that overlap or encompass metropolitan clearinghouse jurisdictions. Thus, an applicant may find himself in two clearinghouse jurisdictions, not knowing where his responsibilities lie.

OMB has urged clearinghouses to develop coordinative arrangements, particularly to alleviate applicant confusion. While such arrangements are being worked out, the OMB Clearinghouse Directory may list overlapped counties (which include municipalities, and other applicants therein) under both clearinghouse jurisdictions. This, however, still leaves the applicant with the burden of sending notifications to *both* metropolitan and regional clearinghouses as well as to the State clearinghouse. OMB has notified overlapping clearinghouses that it will accept any arrangements agreed to by major parties at interest, but it regards the problem as one for State and local determination.

This problem is further exacerbated in the case of interstate metropolitan areas where parts of the metropolitan clearinghouse jurisdiction may be included in regional clearinghouse areas in two or more States. A possible solution is to have notifications from within the metropolitan jurisdiction sent only to the metropolitan clearinghouse. It, in turn, would be required to pass on copies of the notification to the appropriate regional clearinghouse. This approach, of course, is equally possible in the case of intra-State clearinghouse overlaps.

3. *Adjacent clearinghouses*: Because projects in one region or metropolitan area may adversely affect an adjacent region–airports, pollution facilities, for example–clearinghouses in adjacent areas are required to establish coordinative arrangements to identify and mitigate possible interarea conflicts.

Federal Agency Responsibilities Under The PNRS. Federal agency responsibilities under the PNRS are quite simple, and involve the following:

1. The Federal agency is responsible for informing potential applicants that they are required to submit to appropriate State and metropolitan clearinghouses notifications of intent to apply for assistance under the particular program. Applicants should be told that no applications will be considered unless they have gone through the process. Directories of clearinghouses are supplied to Federal agencies by OMB. Contents of notifications are described in paragraph 5, Part I of the Circular.

2. Any comments accompanying applications are to be utilized by agency people in evaluating applications. A special case exists where an application is from a special-purpose unit of government. If comments indicate a similar application is coming from the general-purpose unit of government within which the applicant is located, preference will be given to the general-purpose unit.

3. When any substantive action is taken on an application–approval, return for amendment, rejection, etc.–the Federal agency must so inform the clearinghouses through which the application has passed within 7 days after such action has been taken.

This latter responsibility is the most frequently overlooked among Federal agency responsibilities, yet it is extremely important to the clearinghouses. Most are comprehensive planning agencies and feedback information permits them to keep a running inventory of what development is taking place–or is *not* likely to happen.

Federal agencies may use any means of transmitting such information. Perhaps the simplest means is by copy of the letter that informs the applicant of the action. For approvals, a copy of Form 240 informing States of grant approvals under Circular No. A-98 may be used.

Environmental Impact. Section 102(2)(C) of the National Environmental Policy Act requires Federal agencies to submit to the Council on Environmental Quality–on any action significantly affecting the environment–an "environmental impact statement." While it is the Federal agency that must submit the statement, many or most agencies administering grant-in-aid programs will require the applicant to submit information on such projects, on which environmental impact statements can be based.

Section 102(2)(C) provides for an input to environmental impact statements by *State and local agencies which are authorized to develop and enforce environmental quality standards*. Thus, it is the responsibility of clearinghouses to identify State or local environmental agencies, provide them with project notifications, and assure them opportunity to make such comments as they may deem appropriate. Of course, in some cases the clearinghouse itself may have direct environmental responsibilities.

Beyond this, the clearinghouse, if it so desires, may assist applicants in the preparation of necessary environmental impact data or provide its own comments on the environmental impact of both Federal and Federally-assisted projects, or undertake other related action in assisting or facilitating State and local inputs into environmental impact statements.

Program Coverage Under Part I. Attachment D of Circular No. A-95 lists–by reference to the Catalog of Federal Domestic Assistance numbers and titles–the programs under which applications for assistance are subject to the requirements of Part I. These are mostly programs assisting physical development, although a number of social or human resource programs are covered as well.

In order to focus the review resources of clearinghouses on projects of areawide or interjurisdictional significance, provision is made for exclusion of certain categories of projects under various programs. Such exclusions would need to meet certain criteria such as lack of geographical identification (e.g., certain broadly based research projects) or purely local input (e.g., a ½-acre tot-lot). Exclusions would be proposed by the Federal agency administering the program and would need the concurrence of OMB in consultation with appropriate public interest groups. Clearinghouses will be notified of any exclusions. Beyond this, of course, any clearinghouse may choose to further limit the scope of its reviews. Local circumstance and clearinghouse resources will indicate the feasibility of further limitations.

Housing Reviews. The revised Circular covers HUD housing assistance and mortgage insurance programs for projects of certain minimum sizes:

- in subdivisions, 50 or more lots;
- in multi-family projects, 100 or more dwelling units;
- in mobile home courts, 100 or more units. and
- in college housing, accommodations for 200 or more students.

The Review Process Under The PNRS Is Different For These Projects. Under HUD housing assistance procedures, a developer submits what is, in effect, a preliminary application to a HUD area or insuring office. The application contains a description of the project, detailed enough for HUD

to evaluate it, but lacking detailed construction plans. Generally, the evaluation is made quite rapidly, taking no more than a matter of several weeks, and the developer is notified as to whether the project appears approvable for mortgage insurance commitment or other support. Even if FHA mortgage insurance is not going to be sought, some mortgage lenders will require a favorable FHA report before they will make a construction loan.

The A-95 review process for HUD housing programs will operate with respect to this pre-application phase and consequently may cover not only projects which will be insured or supported by HUD but also some whose financing will be conventional.

The process will operate as follows: when the HUD area or insuring office receives a request for what is called a "feasibility analysis", it will send copies to the appropriate State and metro or regional clearinghouses. The clearinghouses will have 15 days to submit comments on the relationship of the proposed project to State or areawide plans and programs or on any questions of environmental impact. Since HUD approvals require conformance to local zoning and subdivision regulations, the locality normally would already have been contacted by the prospective developer.

While the time span is very short for housing reviews, this stage of the application process is the most critical for clearinghouse inputs. It is also extremely critical for the developer, and to extend the review time for clearinghouse reviews in view of the relatively short HUD processing time at this stage would be a disservice. Clearinghouses are urged to establish early liaison with the appropriate HUD offices to acquaint themselves with the HUD housing programs and procedures and to acquaint HUD officials with clearinghouse missions and operations in order to maximize the effectiveness of housing reviews.

Because of local zoning and subdivision controls or local comprehensive plan requirements, clearinghouse inputs may be minimal with respect to many or most *individual* projects except those of major size or strategic location. The primary value of notifications to clearinghouses is the intelligence they provide of emerging growth patterns that will have to be considered in the areawide comprehensive planning process.

A-95 And A-98 Relationships. The substance of Circular No. A-98 was originally Part III of Circular No. A-95. Circular No. A-98 promulgates a standard form (No. 240) for Federal agencies to use in reporting the amount and purpose of grants-in-aid made within each State as required by Section 201 of the Intergovernmental Cooperation Act of 1968. This information is useful to State for budgetry planning and programming. Many states, particularly where the State clearinghouse also handles grant award information, have developed a computerized system for handling this information and have tied it to the PNRS under A-95. The objective of the tie-in is to trace Federal grants from the initial application to Federal funding. This permits the State to not only know what grants have actually been made (A-98) but to anticipate grants that may be made (A-95), giving additional perspectives for State planning, programming and budgeting.

Of course, the notice of grant awards under A-98 covers a substantially greater range of grant programs than does A-95. At the present time, also, not all States have tried to integrate A-95 and A-98 information, nor have metropolitan and regional clearinghouses who do not receive A-98 information directly, although the States are required to make it available to them.

Part II: Direct Federal Development

Part II requires that Federal agencies engaged in direct development of Federal projects such as Federal civil works, military or scientific installations, public buildings, etc., must consult with State and local governments that might be affected by those projects. Where projects are not in conformity with State, regional or local plans the Federal agency will be required to justify any departures. The requirement applies not only to construction but to the acquisition, use, and disposal of Federal real property.

In addition, in the preparation of environmental impact statements pursuant to Section 102(2)(C) of the National Environmental Policy Act, these Federal development agencies are required to seek the views and comments of State and local environmental agencies. Regulations of the Council on Environmental Quality indicate the clearinghouses as the appropriate channel through which to secure the required State and local views and comments.

The clearinghouses designated pursuant to Part I of the Circular provide the most effective vehicle available to Federal development agencies to assure that all appropriate State and local agencies are consulted on proposed projects. The clearinghouses are generally the State, metropolitan, or regional comprehensive planning agencies; and in conducting the PNRS reviews they have occasion to identify the interests of all development agencies at State and local levels. Thus, Federal agencies will generally need to touch base with clearinghouses in any event. And while the nature of Federal development may not always lend itself to the project notification and review system *per se*, the clearinghouses can greatly facilitate the consultation required under Part II of revised Circular No. A-95.

Part III: State Plans

Numerous Federal assistance programs require, as a condition of assistance, submission of State plans. These are highly variable in nature and content. While some are plans

in the normal sense—"What do I want to do and how am I going to do it?"—others only indicate the basic administrative apparatus through which the program will be carried out. However, associated documentation required to be prepared or submitted on a periodic basis will generally provide information as to the specific activities for which program funds will be spent, even though this information does not appear in the "plan" itself.

Part III requires that Governors be given an opportunity to review such plans or associated documents indicating proposed program activities. This will permit the Governor to relate development strategies among the various Federally supported State programs to each other and to any overall strategies developed through the State comprehensive planning process.

Part IV: Coordination Of Planning And Development In Multijurisdictional Areas

Part IV of the Regulations was developed to offset a growing tendency among Federal programs to promote the establishment of regional planning activities that were uncoordinated, geographically or functionally. In nonmetropolitan areas this has meant a serious drain on already limited planning resources. In metropolitan areas it has intensified confusion and general duplication of effort.

Part IV of the Regulations is closely related to Part I. By encouraging the States to develop systems of sub-State planning areas, it sets the stage for a more complete geographic coverage of the Project Notification and Review System. Similarly, the PNRS by requiring clearinghouse review of projected planning and development activities under various Federal programs, sets the stage for the more systematic and continuing planning coordination envisioned under Part IV.

While the most obvious aspect of Part IV is its emphasis on conforming the boundaries of Federally sponsored planning and development districts with each other and State-established districts, an equally significant requirement (paragraph 3) of Part IV is often overlooked. This is the requirement that applicants for Federal assistance to activities planned on a multijurisdictional basis coordinate their planning with planning for related programs in the area. This would involve identifying related planning activities and organizations and demonstrating what coordinative arrangements have been or are being established.

Paragraph 3 of Part IV provides in effect, an operational definition of planning coordination and identifies—but does not prescribe—various coordinative techniques such as the establishment of umbrella organizations under which various organizations could be coordinated operationally and policy-wise while maintaining their own identities, if that is necessary. Metropolitan and regional clearinghouses could lend themselves well to this role in many cases.

Coordinative devices that can prevent overlap and duplication of planning include arrangements for joint staffing and facilities, cooperative research and data gathering, and utilization of common and consistent statistics, projections, and assumptions about the area and its future. The latter is extremely important, both in terms of resource savings and in eliminating one of the most basic sources of plan conflicts.

The achievements of these coordinative arrangements, then, is a necessary concomitant effort with conforming boundaries; for a common territorial base by itself does not assure coordination. There must be contact, communication, and cooperation between organizations planning for various aspects of area development for that to occur.

Summary

OMB Circular No. A-95 is fundamentally an effort to create a climate where intergovernmental cooperation can take root and flourish. It does this by creating opportunities for contact and communication within and between the several levels of government. This contact and communication is a necessary precondition for coordination.

In order to take full advantage of those opportunities, it is important that the various actors have an appreciation of the requirements *as* opportunities, rather than as administrative obstacles.

- The applicant should recognize the opportunity to develop a better project through avoidance of conflict and the discovery of means for getting "more bang for the buck" out of its investment.
- The Federal agency should recognize the opportunity for increasing program effectiveness through the same means and through applicant awareness of the need for sound planning and coordination.
- The clearinghouses should recognize the opportunities for providing real service to applicants which will enhance their credibility and status as a constructive force in the area or in the management of the State government.

In sum, the Regulations promulgated under Bureau of the Budget Circular No. A-95 are aimed at promoting more effective coordination of planning and development activities carried on or assisted by the Federal Government. The major device of the Regulation is encouragement of systematic communications between the Federal Government and State and local governments carrying out related planning and development activities. Used judiciously by State and local governments and regional bodies, the processes set forth in the Regulations can result in more expeditious, more effective, and more economical development.

EXHIBIT 1

Project Notification And Review System

The following outlines the process of the "Project Notification System" developed to implement, in part, Title IV of the Intergovernmental Cooperation Act.

STEP 1. Potential applicant desiring Federal assistance makes *inquiries* of Federal agency.

STEP 2. Federal agency informs applicant that, among other things, it must *notify* both State and regional (or metropolitan) clearinghouses about the project for which it intends to apply for assistance.

STEP 3. Applicant notifies clearinghouses.

STEP 4a. State clearinghouse notifies State agencies which might have programs affected by proposed project, including where appropriate, environmental agencies.

b. Regional or metropolitan clearinghouse notifies local government agencies whose interests might be affected by the proposed project, including where appropriate, local and regional environmental agencies.

STEP 5. State agencies or local governments *inform* clearinghouse of interest, if any.

STEP 6. Clearinghouse arranges conference with applicant within 30 days of notification pursuant to its own or other State or local interest.

STEP 7. *Conferences* are held to:

a. Explore project in greater detail.
b. Identify possible conflicts or mutuality of interest.

STEP 8. If continuing interest, applicant and clearinghouses (with any State or local interest), *cooperate* in developing application to:

a. Resolve conflicts
b. Strengthen project

STEP 9. If conflicts are not resolved, clearinghouse *notifies* applicant that it will have comments to accompany the application. (*Note:* Conflicts may arise as between clearinghouses or particular State agencies or local governments as to the merit of a project, so such comments may be variably supportive or critical.)

STEP 10. Applicant submits application (or adequate project description) to clearinghouse(s) for comment, providing 30 days therefor.

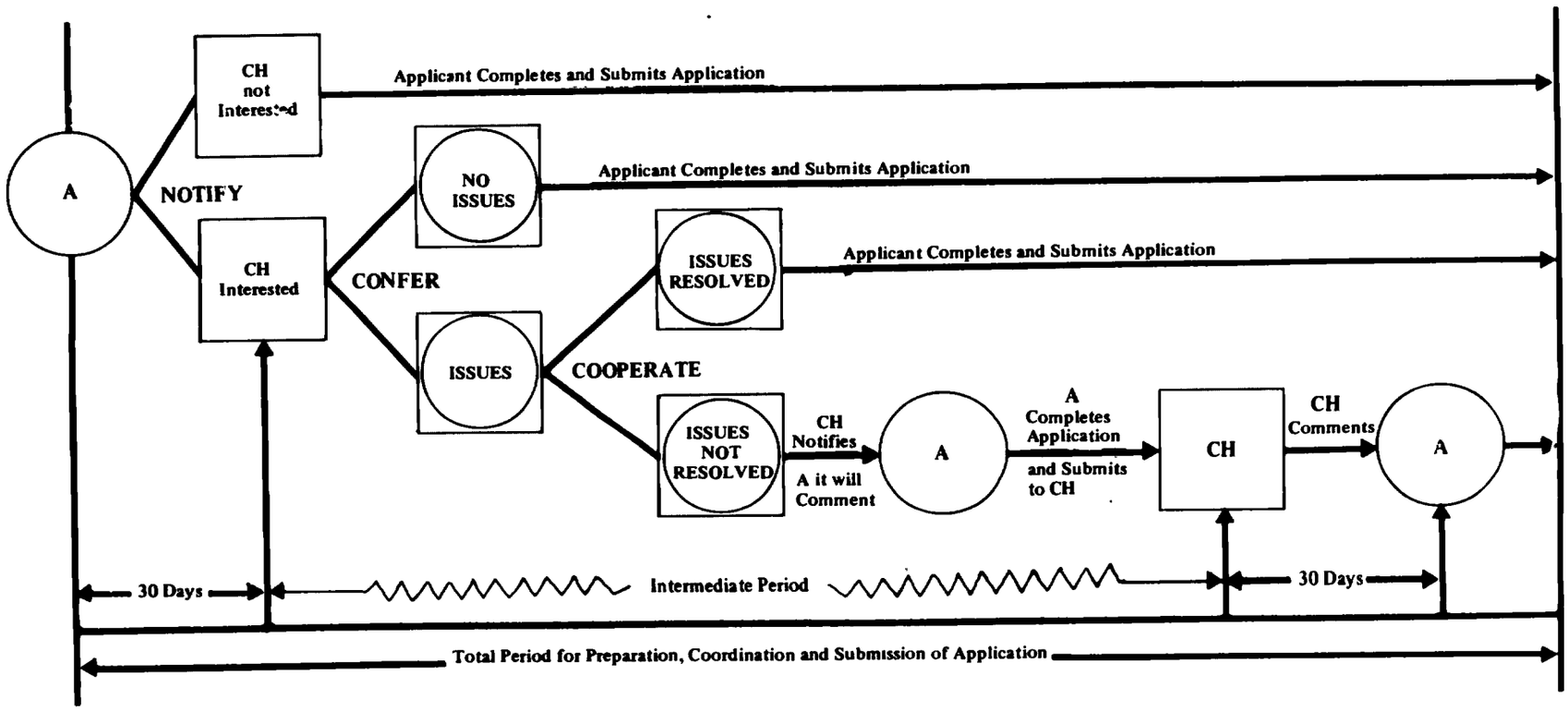
STEP 11. Clearinghouse(s) submits any formal *comments* of its own or of particular State agencies or local governments to applicant.

STEP 12. Applicant submits application to Federal agency, including comments, if any; or, if none, a statement that requirement has been followed.

STEP 13. Federal agency considers application and comments and informs clearinghouses of action taken thereon.

It is possible for the process to come to a satisfactory conclusion at the completion of Steps 5, 7, or 8 as well as, of course, Step 13. At either of the earlier Steps, clearinghouses can inform applicant of general satisfaction with the project and that they will have no (or supportive) comment. In such case, the applicant completes the application and submits it to the Federal agency with a statement that the requirement has been followed (or with any supportive comment). *Step 13–Information to clearinghouses on action taken on the application by the Federal agency is, of course, always required.*

PROJECT NOTIFICATION AND REVIEW SYSTEM



KEY

A — Applicant

CH — State, Regional, or Metropolitan Planning and Development Clearinghouse

Attachment B

ATTACHMENT C

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

To The Heads Of Executive Departments And Establishments

October 19, 1971 Circular No. A-102

Subject: Uniform Administrative Requirements For Grants-In-Aid To State And Local Governments

1. *Purpose.* This Circular promulgates Attachments A, B, C, and D containing standards for establishing consistency and uniformity among Federal agencies in the administration of grants to State and local governments. Also included in the Circular are standards to insure the consistent implementation of sections 202, 203, and 204 of the Intergovernmental Cooperation Act of 1968 (82 Stat. 1101).

2. *Rescission.* This Circular rescinds and supersedes Office of Management and Budget Circular A-96 dated August 29, 1969.

3. *Background.* By a memorandum of March 27, 1969, to the Office of Management and Budget and to ten Federal agencies engaged in domestic grant-in-aid programs, the President ordered a three-year effort to simplify, standardize, decentralize and otherwise modernize the Federal grant machinery. The standards included in the attachments to this Circular will replace the multitude of varying and oftentimes conflicting requirements in the same subject matter which have been burdensome to the State and local governments. (Additional attachments will be issued as standardization in other areas is developed.) Inherent in this standardization process is the concept of placing greater reliance on State and local governments. In addition, the Intergovernmental Cooperation Act of 1968 was passed, in part, for the purposes of: (a) achieving the fullest cooperation and coordination of activities among levels of Government; (b) improving the administration of grants-in-aid to the States; and (c) establishing coordinated intergovernmental policy and administration of Federal assistance programs. This Act provided certain basic policies pertaining to administrative requirements to be imposed upon the States as a condition to receiving Federal grants. The implementing instructions of these policies were initially issued in Circular A-96. These instructions are modified herein in the interest of achieving further consistency in implementing that Act.

4. *Applicable Provisions Of The Intergovernmental Cooperation Act Of 1968.* Federal agencies shall continue to follow the provisions of the Act, quoted below:

DEPOSIT OF GRANTS-IN-AID

Sec. 202. No grant-in-aid to a State shall be required by Federal law or administrative regulation to be deposited in a separate bank account apart from other funds administered by the State. All Federal grant-in-aid funds made available to the States shall be properly accounted for as Federal funds in the accounts of the State. In each case the State agency concerned shall render regular authenticated reports to the appropriate Federal agency covering the status and the application of the funds, the liabilities and obligations on hand, and such other facts as may be required by said Federal agency. The head of the Federal agency and the Comptroller General of the United States or any of their duly authorized representatives shall have access for the purpose of audit and examination to any books, documents, papers, and records that are pertinent to the grant-in-aid received by the States.

SCHEDULING OF FEDERAL TRANSFERS TO THE STATES

Sec. 203. Heads of Federal departments and agencies responsible for administering grant-in-aid programs shall schedule the transfer of grant-in-aid funds consistent with program purposes and applicable Treasury regulations, so as to minimize the time elapsing between the transfer of such funds from the United States Treasury and the disbursement thereof by a State, whether such disbursement occurs prior to or subsequent to such transfer of funds, or subsequent to such transfer of funds. (Sic) States shall not be held accountable for interest earned on grant-in-aid funds, pending their disbursement for program purposes.

ELIGIBLE STATE AGENCY

Sec. 204. Notwithstanding any other Federal law which provides that a single State agency or multimember board or commission must be established or designated to administer or supervise the administration of any grant-in-aid program, the head of any Federal department

or agency administering such program may, upon request of the Governor or other appropriate executive or legislative authority of the State responsible for determining or revising the organizational structure of State government, waive the single State agency or multimember board or commission provision upon adequate showing that such provision prevents the establishment of the most effective and efficient organizational arrangements within the State government and approve other State administrative structure or arrangements: *Provided*, That the head of the Federal department or agency determines that the objectives of the Federal statute authorizing the grant-in-aid program will not be endangered by the use of such other State structure or arrangements.

Some of the above provisions require implementing instructions and they are provided in several of the attachments to this Circular which deal with the specific subject matter.

5. *Definitions.* For the purposes of this Circular:

a. The term "grant" or "grant-in-aid" means money, or property provided in lieu of money, paid or furnished by the Federal Government to a State or local government under programs that provide financial assistance through grant or contractual arrangements. It does not include technical assistance programs or other assistance in the form of revenue sharing, loans, loan guarantees, or insurance.

b. The term "State" means any of the several States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any agency or instrumentality of a State exclusive of State institutions of higher education and hospitals.

c. The term "local government" means a local unit of government including specifically a county, municipality, city, town, township, local public authority, special district, intrastate district, council of governments, sponsor group representative organization, and other regional or interstate government entity, or any agency or instrumentality of a local government exclusive of institutions of higher education, hospitals, and school districts.

6. *Coverage.* The standards promulgated by this Circular are applicable to all Federal agencies responsible for administering programs that involve grants to State and local governments. However, agencies are encouraged to apply the standards to loan and loan guarantee programs to the extent practicable.

7. *Other Statutory Provisions.* Where the enabling legislation for a specific grant program prescribes policies or requirements that differ from the standards provided herein, the provisions of the enabling legislation shall govern.

8. *Requests For Exceptions.* The Office of Management and Budget may grant exceptions from the requirements of this Circular when permissible under existing laws. However, in the interest of keeping uniformity to the maximum extent, deviations from the requirements of this Circular will be permitted only in exceptional cases. The head of each Federal agency responsible for administering programs that involve grants to State and local governments will designate an official to serve as the agency representative on matters relating to the implementation of this Circular. The name of the agency representative should be sent to the Office of Management and Budget within thirty days after the receipt of this Circular.

9. *Effective Date.* The standards in the attachments to this Circular will be applied as soon as practicable but not later than July 1, 1972.

GEORGE P. SHULTZ
DIRECTOR

UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS-IN-AID TO STATE AND LOCAL GOVERNMENTS

Waiver Of "Single" State Agency Requirements

Attachment to Circular No. A-102

1. Requests to Federal grantor agencies from the Governors, or other duly constituted State authorities, for waiver of the "single" State agency requirements in accordance with section 204 of the Intergovernmental Cooperation Act of 1968 should be given expeditious handling and, whenever possible, an affirmative response should be made to such requests.

2. When it is necessary to refuse a request for waiver of the "single" State agency requirements under section 204. the Federal grantor agency handling such request will so advise the Office of Management and Budget prior to informing the State that the request cannot be granted. Such advice should indicate the reasons for the denial of the request.

3. Future legislative proposals embracing grant-in-aid programs should avoid inclusion of proposals for "single" State agencies in the absence of compelling reasons to do otherwise. In addition, existing "single" State agency requirements in present grant-in-aid programs should be reviewed and legislative proposals should be developed for the removal of these restrictive provisions.

ATTACHMENT D

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D.C. 20503

August 29, 1969 Circular No A-97

To The Heads Of Executive Departments And Establishments

Subject: Rules And Regulations Permitting Federal Agencies To Provide Specialized Or Technical Services To State And Local Units Of Government Under Title III Of The Intergovernmental Cooperation Act Of 1968

1. *Purpose.* This Circular promulgates the rules and regulations which the Director of the Bureau of the Budget is authorized to issue pursuant to section 302 of the Intergovernmental Cooperation Act of 1968 (P.L. 90-577; 82 Stat. 1102). It also provides for the coordination of the action of Federal departments and agencies (hereinafter referred to as "Federal agencies") in exercising the authority contained in Title III of said Act as directed by the President's Memorandum of November 8, 1968 (33 F.R. 16487).

2. *Background*

a. Title III of the Intergovernmental Cooperation Act of 1968 is intended to

(1) Encourage intergovernmental cooperation in the conduct of specialized or technical services and provisions of facilities essential to the administration of State or local governmental activities.

(2) Enable State and local governments to avoid unnecessary duplication of special service functions

(3) Authorize Federal agencies which do not have such authority to provide reimbursable specialized and technical services to State and local governments.

b. Title III of the Act authorizes the head of any Federal agency, within his discretion and upon written request from a State or political subdivision thereof, to provide specialized or technical services, upon payment to the Federal agency by the unit of government making the request, of salaries and all other identifiable direct or indirect costs of performing such services.

c. Title III of the Act requires that

(1) Any services provided pursuant to Title III shall include only those which the Director of the Bureau of the Budget through rules and regulations determines Federal agencies have special competence to provide.

(2) The Director's rules and regulations shall be consistent with, and in furtherance of, the Government's policy of relying on the private enterprise system to provide those services which are reasonably and expeditiously available through ordinary business channels.

(3) All moneys received by any Federal agency in payment of furnishing specialized or technical services under Title III of the Act shall be deposited to the credit of the principal appropriation from which the cost of providing such services has been paid or is to be charged.

(4) The head of any Federal agency shall furnish annually to the respective Committees on Government

Operations of the Senate and House of Representatives a summary report on the scope of the services provided under Title III.

3. *Reservation Of Existing Authority.* The authority contained in Title III of the Act and this Circular is in addition to, and does not supersede, any existing authority now possessed by any Federal agency with respect to furnishing services, whether on a reimbursable or nonreimbursable basis, to State or local units of government. The reporting and other requirements and conditions contained in this Circular shall not apply to services furnished under such existing authorities.

4. *Definitions.* For purposes of this Circular:

a. The term "State" means any of the several States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any agency or instrumentality of a State, but does not include the governments of the political subdivisions of a State.

b. The terms "political subdivision" or "local government" mean a local unit of government, including specifically a county, municipality, city, town, township, or a school or other special district created by or pursuant to State law, or combinations thereof.

c. "Specialized or technical services" means statistical and other studies and compilations, development projects, technical tests and evaluations, technical information, training activities, surveys, reports, documents, and any other similar service functions which any Federal agency is especially equipped and authorized by law to perform.

5. *Policy.* Federal agencies will cooperate to the maximum extent possible with State and local units of government to provide such specialized or technical services as may be authorized. Such services shall generally supplement, not supplant existing services, and Federal agencies should not provide services with full reimbursement under this Circular which have heretofore been furnished for less than full reimbursement under other authorities, unless specifically requested to do so.

6. *Types Of Services That May Be Provided.*

a. It is hereby determined that Federal agencies have the special competence to provide, and may provide the following specialized or technical services, and facilities related thereto, pursuant to Title III of the Intergovernmental Cooperation Act of 1968:

(1) Any existing statistical or other studies and compilations, results of technical tests and evaluations, technical information, surveys, reports, and documents, and any such materials which may be developed or prepared in the future to meet the needs of the Federal Government or to carry out the normal program responsibilities of the Federal agencies involved.

(2) Preparation of statistical or other studies and compilations, technical tests and evaluations, technical information, surveys, reports, and documents, and assistance in the conduct of such activities and in the preparation of such materials, provided they are of a type similar to those which the Federal agency is authorized by law to conduct or prepare.

(3) Training of the type which the Federal agency is authorized by law to conduct for Federal personnel and others or which is similar to such training.

(4) Technical aid in the preparation of proposals for development and other projects for which the Federal agency provides grants-in-aid or other assistance, provided such aid primarily strengthens the ability of the recipient in developing its own capacity to prepare proposals.

(5) Technical information, data processing, communications and personnel management systems services, and technical advice on improving logistical and management services which the Federal agency normally provides for itself or others under existing authorities.

b. Any of the above specialized or technical services provided to the States and their political subdivisions under existing authorities may also be provided under Title III of the Act and the terms of this Circular.

c. If a Federal agency receives a request for specialized or technical services which are not covered in subparagraph *a* above and which it believes is consistent with the Act and which it has a special competence to provide, it should forward such request to the Bureau of the Budget for action. Similarly, if there is doubt as to whether the service requested is covered by subparagraph *a*, the request should be forwarded to the Bureau of the Budget for action.

7. *Conditions Under Which Services May Be Provided.* The specialized or technical services provided under Title III of the Act and this Circular may be provided, in the discretion of the heads of Federal agencies, only under the following conditions:

a. Such services will be provided only to the States, political subdivisions thereof, and combinations or associations of such governments or their agencies and instrumentalities.

b. Such services will be provided only upon the written request of a State or political subdivision thereof. Requests will normally be made by the chief executives of such entities and will be addressed to the head of the agency involved.

c. Such services will not be provided unless the agency providing the services is providing similar services for its own use under the policies set forth in Bureau of the Budget Circular No. A-76, "Policies for acquiring commercial or industrial products and services for Government use" (Revised August 30, 1967). In addition, in accordance with the policies set forth in Circular No. A-76, the requesting entity must certify that such services cannot be procured reasonably and expeditiously by it through ordinary business channels.

d. Such services will not be provided if they require any additions of staff or involve outlays for additional equipment or other facilities solely for the purpose of providing such services, except where the costs thereof are charged to the user of such services. Further, no staff additions may be made which impede the implementation of or adherence to the employment ceilings contained in Bureau of the Budget allowance letters.

e. Such services will be provided only upon payment of provision for reimbursement to the Federal agency involved, by the unit of government making the request, of salaries and all other identifiable direct and indirect costs of performing such services. For cost determination purposes, Federal agencies will be guided by the policies set forth in Bureau of the Budget Circular No. A-25, "User Charges" (September 23, 1959).

f. Any payments or reimbursements received by Federal agencies for the costs of such services will be deposited to the credit of the principal appropriation or other account from which the costs of providing the services have been paid or are to be charged.

g. In the event a request for a service is denied, the Federal agency shall furnish the entity making the request with a statement indicating the reasons for the denial.

8. *Reports To Congress.* The head of each Federal agency will furnish annually to the respective Committees on Government Operations of the Senate and House of Representatives a summary report on the scope of the services provided under Title III of the Act and this Circular. Such reports will be prepared as of the end of each calendar year and will indicate the nature of the services rendered, the names of the States and political subdivisions involved, where practical, and the cost of the work. Services provided under other authorities are not to be included in the reports. Copies of the reports will be submitted to the Bureau of the Budget not later than March 30 of each year.

9. *Effective Date.* This Circular is effective immediately. It supersedes the "Interim Regulation under Title III of the Intergovernmental Cooperation Act of 1968 (P.L. 90-577)," dated December 19, 1968, concerning training by the U.S. Civil Service Commission.

10. *Inquiries.* Inquiries regarding this Circular may be addressed to the Office of Executive Management, Bureau of the Budget, Washington, D.C. 20503, or telephone (202) 395-4934 (Government dial code 103-4934).

ROBERT P. MAYO
Director

ATTACHMENT E

MEMORANDUM ON THE ESTABLISHMENT OF AN INFORMATION SYSTEM FOR THE OFFICE OF EARLY CHILDHOOD DEVELOPMENT, DEPARTMENT OF COMMUNITY AFFAIRS, STATE OF TEXAS

INTRODUCTION

The design and definition of any management information system begins with a clear definition of the role of the office to be informed by management information. We perceive the role of the State Office of Early Childhood Development (OECD) to be threefold (1) as a central mechanism for the 4-C concept, (2) as a broker of information on Texas children, and (3) as a policy advisory in formulating new programs for Texas children or new ways of administering ongoing programs.

As an advocate for the 4-C concept, the office acquired three basic responsibilities: (1) to promote the 4-C concept of coordination among Texas towns and cities; (2) to offer technical assistance to prospective 4-C councils, both in the "initial application" and the "preliminary recognition" stages of development; and (3) to review 4-C applications for compliance with federal guidelines. At present these duties are exercised "unofficially", but they will ultimately become "official" when the State 4-C application achieves full recognition from the Regional Office of OCD/HEW.

As an information broker for the State, the OECD office has assumed the initiative in providing information on children at the request of interested parties. Periodic publications reporting the status of care for children in the state are part of the information–broker function. The major components of the information network that OECD would serve are illustrated in the diagram below.

As a result of the roles previously described, the State OECD is in position to advise legislative or administrative branches of government at the state or local level regarding the delivery of services to children. In order to make this possible, OECD *must* have a comprehensive picture of the present state of children and the programs serving them. Availability of comprehensive data, periodically collected, will clear the way for a detailed analysis of trends within the state, and for new policy initiatives.

The first priority is to establish manual procedures for forming this "picture" on an annual basis. Later automation may take place. It is important to note, however, that the automated information system is the natural outgrowth of a manually compiled information base addressing the "advocate" and "information broker" roles.

The scope, contents, and organization of an initial information catalogue are outlined in the following pages.

GENERAL STRATEGY

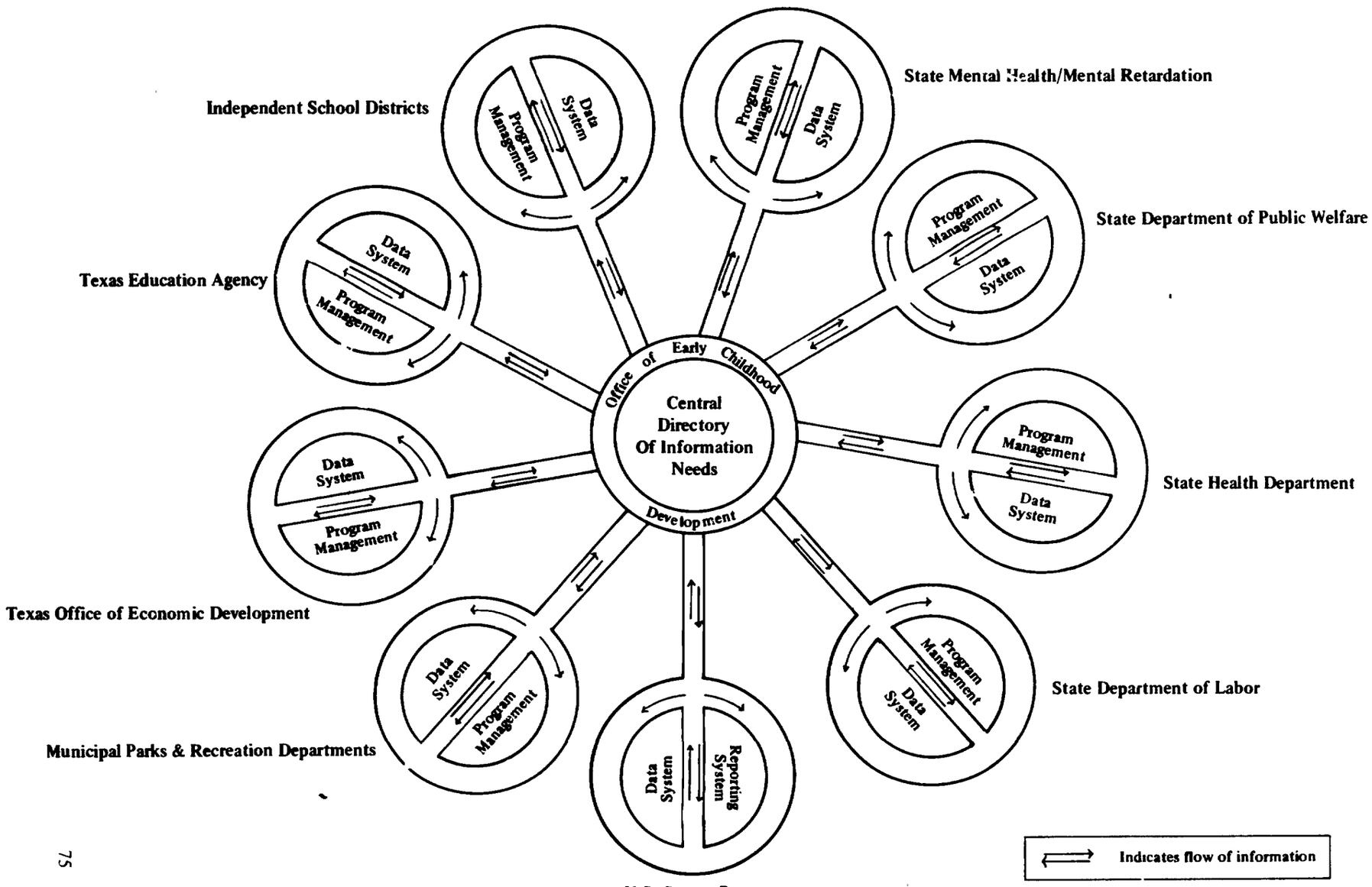
The general intent of this information catalogue is to give *gross indications* of needs for different types of child- and family-services in the counties of Texas. It provides a basis for comparing one county's indices in a particular service, area, e.g., birth control, day care, with that of other counties. In analyzing the statistical profile of each county, emphasis should be place on *relative difference.*

For instance, if it is noted that Tarrant County has a relatively high fertility index, a relatively high illegitimacy index, and a high adoption index, this constitutes evidence that Tarrant County *might* be in need of a birth control program. Note the use of the word "might". High registers in the indices cited above do *not* afford conclusive proof that women living in Tarrant should be the target of massive birth control assistance, high registers do indicate that some investigation should be made of why the indices appear as they do. This can be done with a view to assisting the county with a solution if the investigation reveals a problem *with clearly defined cause and effect relationships.*

It is important to note that recognition of a problem is half of the cure. If a county can be shown by an OECD information system report that its indices are among the worse in the state in a particular service area, this may provide the motivation necessary for the county to investigate the causes underlying these high indices and to take corrective action.

It would be useful, we feel, to apply this procedure to all areas of family- and child-need. After compiling a list of the ten or twenty counties with the worse indices for each area of need, OECD could *prudently* communicate this information to the appropriate person in each of the counties listed as stimulus for investigation.

INFORMATION NETWORK FOR THE OFFICE OF EARLY CHILDHOOD DEVELOPMENT, STATE OF TEXAS



Attachment 1

CATALOGUE OF INFORMATION NEEDS

REPORT NO 1 – CHARACTERISTICS OF CHILDREN

Format

by *county:*

1) total population
2) population age 6 and under
3) population of children under age 5
4) births per year
5) fetal deaths and deaths of children under age 1
6) fertility index*
7) illegitimacy index*
8) number of children placed for adoption
9) adoption index*

Objective:

No. 1-3. indicate gross number of potential day care, nursery care candidates in county
No. 4-9. indicate potential need for prenatal health measures for mothers in county and for planned parenthood/birth control programs

Where and How Obtained:

No. 1-3: Census data
No. 4-5: State Health Dept. statistics
No. 6: Calculated from Census information
No. 7: Calculated from State Health Dept. statistics
No. 8-9: SDPW statistics (contact Mary Hanson, Reagan Bldg.)

Frequency of Update:

annual**

Priority: 1

REPORT NO. 2 – CHARACTERISTICS OF FAMILIES

Format

by *county*.

1) total population
2) total households in county
3) households with female heads
4) households with working mothers
5) households with female heads and children under 6
6) households with working mothers and children under 6
7) average number of children *under* 6 per household
8) number of women aged 15-49
9) fertility index

Objective:

No. 1-7: indicate the effective demand for day care services in support of working mothers

No. 8-9: indicate the number of new potential day care clients to be expected in the near future

Where and How Obtained:

No. 1-6,9: Census data
No. 7-8. Calculated from Census data

Frequency of Update:

annual

Priority: 2

REPORT NO. 3 - PUBLIC RESOURCES: SERVICE INSTITUTIONS

Format 3-A:

by *counties*, the number, location, and capacity of facilities listed below:

1) prenatal clinics
2) mental health-mental retardation centers
3) family planning and planned parenthood
4) state schools for children under 6
5) state hospitals for children under 6

Objective.

to determine the number of prenatal, birth control, remedial, and medical public facilities available to children in each county and financed by state or federal funds

Where and How Obtained.

No. 1,3: State Dept. of Health by survey (see *Exhibit A*)
No. 2,4,5. State MH/MR Dept. by survey (see *Exhibit A*)

Frequency of Update:

annual

Priority: 7

REPORT NO. 3 – PUBLIC RESOURCES: "AFTER-SCHOOL" AND REMEDIAL CARE

Format 3-B:

by *county*, the location (city, address), name, and capacity of public schools offering "after-school" and remedial care for children

Objective:

to determine usage of public school facilities for day care and remedial care

Where and How Obtained

letters to ISD's asking for information specified above

Frequency of Update:

annual

Priority: 8

REPORT NO. 3 - PUBLIC RESOURCES: SUMMER PROGRAMS

Format 3-C

for cities over 50 000 population, *location* and *capacity* of summer programs providing day care

Objective:

to assess the extent of day care effected by municipal programs during the summer months

Where and How Obtained:

letter to the Parks and Recreation Dept. in Texas cities with over 50,000 population requesting information specified above

Frequency of Update:

annual

Priority: 9

REPORT NO. 3 - PUBLIC RESOURCES: STATE AND FEDERALLY ASSISTED PROGRAMS

Format 3-D.

by *county*, locations of state and federally assisted programs with notation of budget, capacity, state contribution, local contribution, federal contribution for the following programs:

1) Head Start
2) Special Ed.
3) MFP
4) Bilingual (Title VII, ESEA)
5) Title I (reg, ESEA)
6) Title I (mig, ESEA)
7) Pre-school Non-English
8) IV-A
9) Model Cities
10) WIN daycare
11) Community MH/MR
12) State Hospital Outreach
13) State School (MR)
14) MR Human Development Centers
15) Crippled Children Service
16) Maternal and Child Health
17) T.B.

Objective:

to assess the extent of public monies applied to children in each Texas county

Where and How Obtained:

No. 1: annual report of TOEO, obtainable from Cora Briggs, Child Development monitor, TOEO

No. 2-7: TEA by survey (see *Exhibit A*). TEA will delegate survey request to proper subsidiary office for response. Information will return broken down by county

No. 8-10: SDPW by survey (see *Exhibit A*). Information available by county, but state, federal, and local contribution may be difficult to obtain

No. 11-14: State MH/MR by survey (see *Exhibit A*)

No. 15-17: State Health Dept. by survey (see *Exhibit A*)

Frequency of Update:

annual

Priority: 3

REPORT NO. 4 – PRIVATE RESOURCES

Format

by *county*

1) number of commercial & non-profit day care facilities
2) total private spaces
3) average fee; median fee
4) average income & median income of client families

Objective

No. 1-2: Identify available slots for day care for lower and medium income families as this group would constitute the majority of the potential client population. This becomes particularly important in light of the new IRS guidelines concerning income deductions for child care.

No. 3-4: Identify 1) the average cost per slot and 2) determine the number of potential clients from census information that need and can afford the private day care services This establishes a method for determining a crude needs/resources index.

Where and How Obtained:

No. 1-2. licensing data from SDPW Licensing L ision
No. 3: letter survey to sample number of private facilities to determine average and median fees
No. 4: census data

Frequency of Update:

Census data is not updated annually but SDPW could prove information as often as licensing information became available

Priority: 4

Attachment E

REPORT NO. 5 (NON-STATISTICAL) FUNDING MECHANISMS

Information on funding mechanisms is important. In the next few weeks, a group within the seminar will undertake a PERT analysis of ten major programs dealing with children. These will be made available to your office to be used as paradigms in analyses performed by your own staff.

Priority 5

REPORT NO. 6 - TRAINING RESOURCES FOR CHILD DEVELOPMENT PERSONNEL

Format

by *county*:

1) list of state-approved teacher education programs
2) list of schools offering courses leading to kindergarten teaching endorsement
3) list of special programs for teachers of special children (i.e., physically and mentally handicapped)
4) list of colleges offering teacher retraining
5) list of in-service training programs (e.g., Southwestern Educational Laboratory)
6) list of child development instruction and training throughout the state (e.g., Head Start, Model Cities, etc.)
7) list of vocationally-oriented child training programs (e.g., high schools, adult education programs of TEA)
8) list of number of teachers holding a kindergarten endorsement certification by institution (alma mater)

Objective.

No. 1: Indicate state-approved teacher training programs for grades 1-12
No. 2 & 8: Indicate enrollment capacity and identification of manpower resources for kindergarten teachers
No. 3: Identify types of curricula and enrollment capacity of training programs for teachers of special children
No. 4,5,6,7: Identify additional resources of teacher manpower, both in terms of curricula content and enrollment capacity

Where and How Obtained:

No. 1 & 8: Ron Dodelia, Certification Division, SDPW
No. 2: Glen French, Program Division, TEA
No. 3: JoAnn Paul, Special Education Division, TEA
No. 4: Dr. Al Little, Educational Professional Development, TEA
No. 5: Sheri Nedler, Early Childhood Education, Southwestern Educational Laboratory
No. 6: Doyal Pinkard, SDPW
No. 7: Elizabeth Smith, Homemaking Education Division, TEA

Frequency of Update:

Annual

Priority: 6

Attachment F

PRIORITY LIST OF TASKS

Priority

1) Report No. 1 - Characteristics of Children
2) Report No. 2 - Characteristics of Children
3) Report No. 3-D - Public Resources: State and Federally Assisted Programs
4) Report No. 4 - Private Resources
5) Report No. 5 - Funding Mechanisms
6) Report No. 6 - Training Resources
7) Report No. 3-A - Public Resources: Service Institutions
8) Report No. 3-B - Public Resources: "After-school" and Remedial Care
9) Report No. 3-C - Public Resources: Summer Programs

IMPLEMENTATION

The system set forth in the preceeding pages offers suggestions for meeting OECD informational needs. However, an outline of report formats, methods, and a priority list of various information tasks do not amount to a viable system. There remains the question of the system's manager.

In order for an information system of this kind to be successful, responsibility for its maintenance and further development must reside in one individual working under the direction of the Director of OECD. Our recommendation is that OECD acquire a full-time information specialist whose prime responsibility is the acquisition, interpretation, and display of data regarding children in Texas. Not only should he maintain the system proposed here (or some similar system), but he should also experiment with charts, graphs, and other illustrative devices which convey and dramatize the significance of the statistics. In short, his is the task of making clusters of numbers into salient representations of need-resource configurations. Such representations can be used outside the office as evidence, e.g., for supporting the need for optimizing the use of community resources through 4-C coordination or the need for refocusing resources from one child-care service to another. The principal qualification for this position is an ability to apply sophisticated quantitative tools for purpose of policy analysis.
analysis.

We would like to note a second recommendation for implementing this information system. It seems highly derivable to develop a state census which cross-references demographic information with family income statistics. In our work for OECD, we have noted one major flaw in the information available from state agencies. None of the demographic information regarding number of households in the county, number of children under 6, number of female-headed households, etc. *is or can be cross-referenced with family income statistics.*

This is a grave deficiency for planning of public programs due to the compensatory thrust of much federal assistance, especially that aimed at children. The legislation sets income parameters to determine eligibility, yet state and local grant applications have no means for obtaining current figures on just how many people meet these requirements in a given geographical area.

In order to maximize the fund leveraging capability of state and local applicants, it is imperative that the means for cross-referencing income distribution with social characteristics (e.g., sex, marital status, number of dependents), on an annual or bi-annual basis, be established. This amounts to a Texas census rendered according to the income guidelines prescribed for eligibility in various federal categorical grant and assistance programs.

In our opinion, lobbying for this kind of state census should be one of OECD's important activities for the future.

The system we have outlined in the preceeding pages is conceived as the foundation for more technical means of gathering and interpreting information in the future. We feel that it addresses OECD's needs at the moment and in the near future, but the degree of success depends upon the diligence with which it is maintained and improved.

Attachment E

AGENCY SURVEY LETTER

Attachment E

CHILD CARE/CHILD DEVELOPMENT RESOURCE

1. Name of Program

2. Authorizing Legislation

3. Funding Agency and Contact Person:

   A. Agency:
   Name
   Address
   Telephone

   B. Contact Person:
   Name
   Title/Dept.
   Address
   Telephone

4. Program Description

   A. What it is:

   B. Who it serves:

   (1) Number of children served

   C. The Program is a:

   Primary resource
   Supportive resource

5. Eligible Agencies and/or Grantees:

   A. What Agencies or Organizations can apply?

   B. Matching provisions, if any:

   C. Restrictions, if any:

6. Funding Information

   A. Appropriations
   1970
   1971
   B. Allocations
   1970
   1971
   C. Distribution
   1970
   1971

Prepared by:

Signature

Date

PARTICIPANTS IN CONFERENCES RELATING TO THE REPORT*

Meeting with Members of the National Academy of Sciences' Advisory Committee on Child Development, November 18, 1971

Henry David, *Executive Secretary, Division of Behavioral Sciences, National Academy of Sciences*
Leslie Hicks, *Executive Secretary of the National Academy of Sciences' Committee on Child Development*
Alfred Kahn, *Columbia University School of Social Work*
Mary Dublin Keyserling, *Member of the National Academy of Sciences' Advisory Committee on Child Development*
Gilbert Y. Steiner, *Director, Governmental Studies Program, The Brookings Institution*
Harold W. Stevenson, *Professor of Psychology, University of Michigan and Chairman of the National Academy of Sciences' Committee on Child Development*
Ivor Wayne, *Executive Secretary, Panel on the Assessment of the 4-C Program, Division of Behavioral Sciences, National Research Council*

Workshop on Child-Development Policy, May 5, 1972

Patricia Black, *Assistant Director, Office of Early Childhood Development, Texas Department of Community Affairs*
Dorothy Bohac, *Texas Education Agency*
Cora Briggs, *Texas Office of Economic Opportunity*
Jerome D. Chapman, Jr., *Assistant Commissioner for Program Administration, Texas State Department of Public Welfare*
Maurine Currin, *Director, Social Services Division, Texas Department of Public Welfare*
Mary Ellen Durrett, *Acting Chairman, Department of Home Economics, The University of Texas at Austin*
Jean English, *First Baptist Church*
Joe L. Frost, *Assistant Professor of Curriculum and Instruction, College of Education, The University of Texas at Austin*
Gerald Hastings, *Grants Management Office, Office of Child Development, Dallas HEW Regional Office*
Linda Hughes, *4-C Coordinator, Office of Early Childhood Development, Texas Department of Community Affairs*
Inez C. Jeffery
Mary Dublin Keyserling, *Member of the National Academy of Sciences' Advisory Committee on Child Development*
Irving Lazar, *Chairman, College of Human Ecology, Cornell University*
Harry Ledbetter, *Legislative Budget Board, State of Texas*
Clyde I. Martin, *Professor of Curriculum and Instruction, College of Education, The University of Texas at Austin*
Charles Nix, *Associate Commissioner for Planning, Texas Education Agency*
Dan Petty, *Executive Assistant, Office of the Governor of the State of Texas*
Mabel Pitts, *Program Consultant on Day Care and Child Development, Social Services Division, Texas Department of Public Welfare*
Ed Powers, *Division of Operations Analysis, Executive Department, Office of the Governor of the State of Texas*
Burton Raiford, *Assistant Commissioner for Finance, Research, and Statistics, Texas Department of Public Welfare*
Phyllis Richards, *Professor and Acting Head of Child Development, The University of Texas at Austin*
Dennis Sullivan, *Administrative Assistant to the Commissioner, Texas Department of Public Welfare*
Jeannette Watson, *Director, Office of Early Childhood Development, Texas Department of Community Affairs*

*Titles given here were current at the time of the Conference.

OTHER PROJECT ACTIVITIES

The group met individually with Dr. Wilbur Cohen, *Dean of the Graduate School of Education at the University of Michigan,* and Mr. L. Moczegemba of *the Model Cities Program in San Antonio.* Members of the research project attended the *Battelle Conference on Early Childhood Development,* in Scottsdale, Arizona in December 1971, the *Early Childhood Conference of the Texas Education Agency* in early March 1972, and presented their findings at the *Southwestern Social Sciences Association* in San Antonio in late March 1972. In May, two one-hour broadcasts on the projects findings were aired by the National Education Radio, KUT Austin.